

Nation's Business

A USEFUL LOOK AHEAD

FEBRUARY 1960



OUTLOOK FOR PRICES

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What to do when controversy comes **PAGE 38**

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Nation's Business

February 1960 Vol. 48 No. 2

Published by the Chamber of Commerce of the United States
Washington, D.C.

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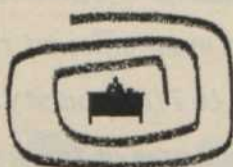
Your desire to get ahead can be put in better perspective if you follow the advice offered by management authorities

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While President Eisenhower is seeking ways to cut spending, a cabinet official pushes for new, costly welfare programs

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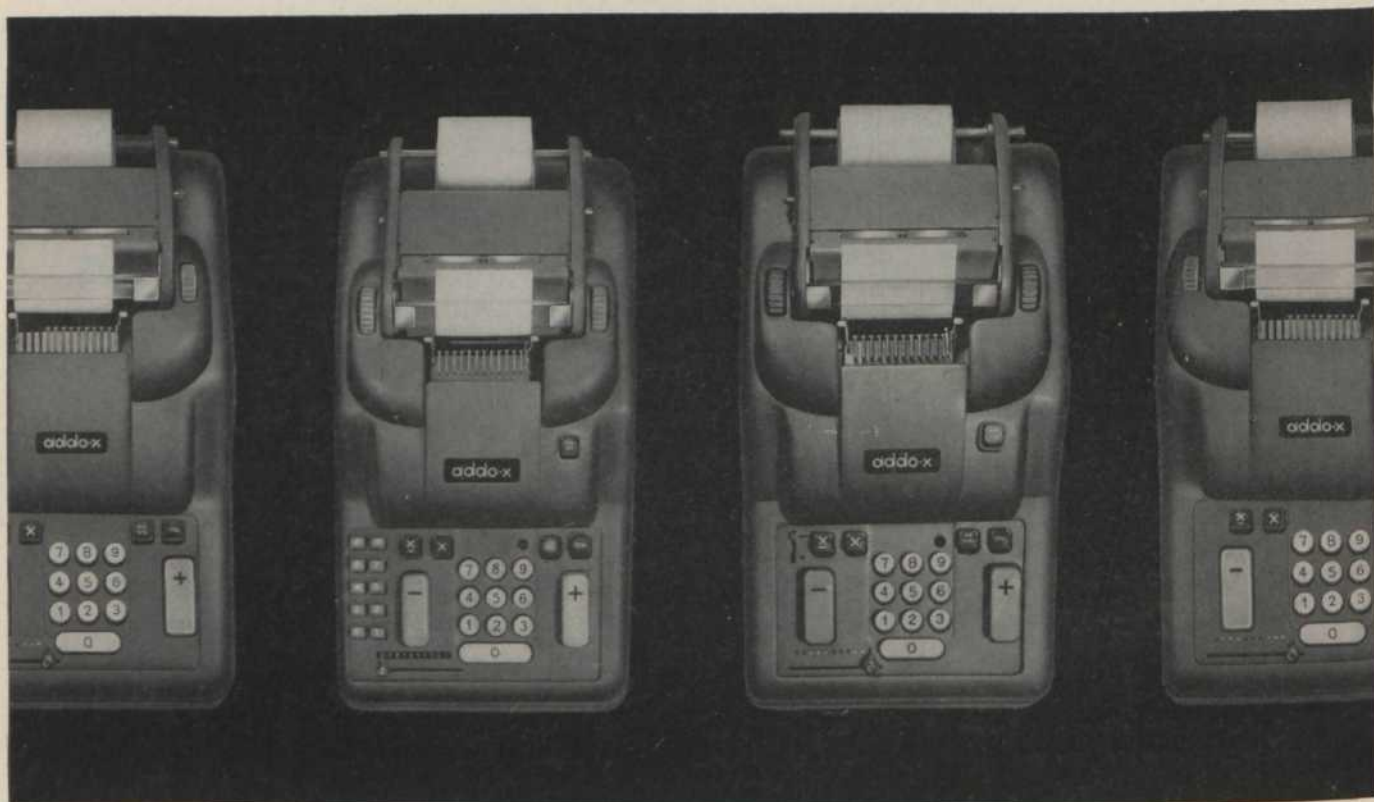
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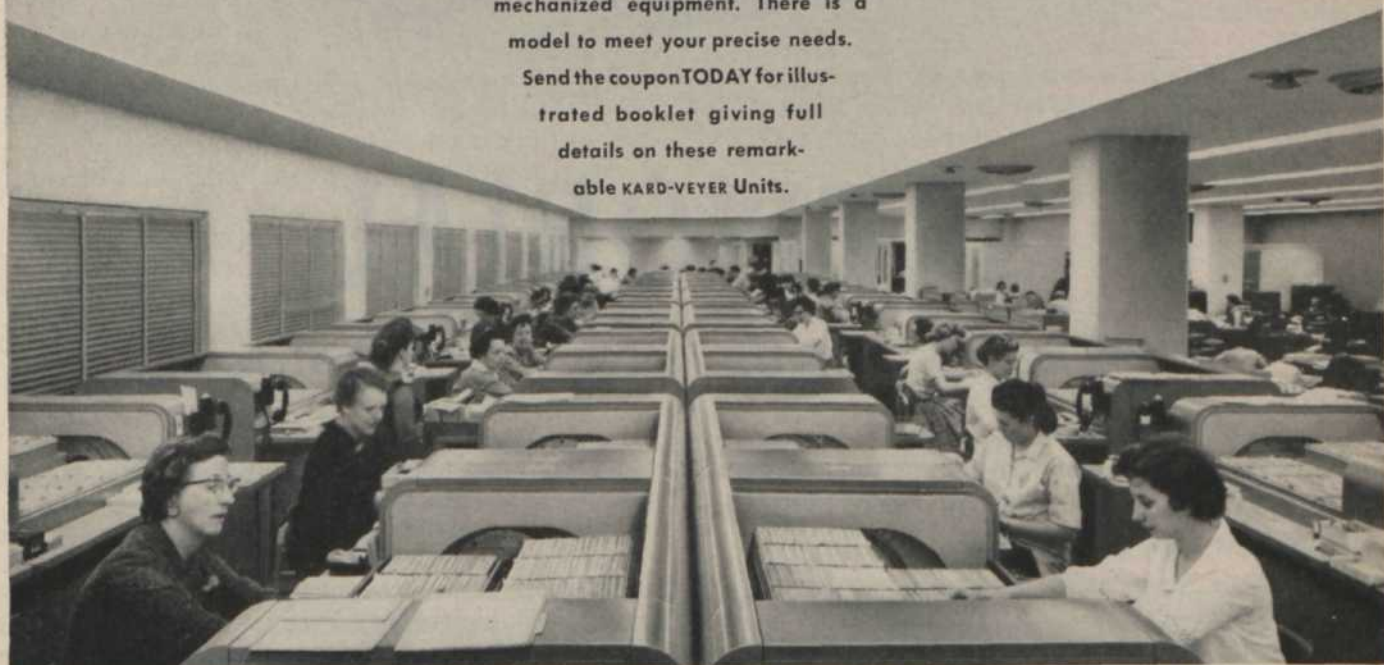
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MEMORIAL

to a once-thriving one-man business!

Too often, a businessman leaves only problems for his heirs. Here's how Business Insurance from New York Life can help solve them!

When the owner of a "one-man" business dies, much of the value of his business often dies with him.


Even if his wife or children are capable of continuing the business, they must first settle taxes, wages, legal fees, and other debts. Should the family be forced to sell, the business may barely "pay its way out." The work of a lifetime can be lost in a day.

A foresighted businessman can guard against such a tragic loss, can assure his heirs the full value of his business—through Business Insurance from New York Life. Under a proper plan, the family will have the cash needed to 1) settle business debts, 2) offset the loss from disruptions

and "shrinkage" in values which follow death, or 3) help dispose of the business favorably.

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management's WASHINGTON LETTER

► **PRESSURE'S OFF CONGRESS**--for now--to pass new legislation that would halt industry-wide strikes.

But pressure could build up again.
Watch railroads.

Strike threat originally was aimed at February.

In Washington it's now thought unlikely a strike could come before May.

Strike possibility also threatens aircraft industry this spring.

► **CONGRESSIONAL ATTENTION** will center first on these free-spending issues:

Depressed areas--Proposals would pour federal tax money into certain regions with local job problems.

Jobless benefits--Pressure is mounting for federal minimum standards for amount and duration of unemployment pay.

Minimum pay--Proposal would boost lowest hourly pay from \$1 an hour to \$1.25, also extend coverage to 7.8 million additional employees chiefly in retail and service industries.

This bill's being pushed hard by Sen. John F. Kennedy, candidate for the presidential nomination.

Hospitalization--Cost of hospital and nursing-home care would become new social security benefit, despite striking rise of private enterprise in providing this kind of insurance.

► **THAT BUDGET SURPLUS** you've been hearing about for fiscal '61 is too high.

President expects Uncle Sam to have about \$4.2 billion left over after next year's bills are paid.

It's more likely to be \$2.5 billion.

Here's why:

Budget Bureau's estimates are based on two assumptions.

1. That Congress will approve certain legislative proposals which would shorten red ink side of the ledger, others that would add to black ink side.

But don't count on Congress to approve all President asks.

Example:

President wants Post Office to charge enough postage to pay expenses.

But lawmakers in election year aren't likely to ask voters to spend more for postage stamps.

2. That 1960 will indeed be a booming year for business and that personal

income taxes and corporation taxes will bring in more revenue than in the current fiscal year.

Chances are good that personal income will live up to Bureau's expectations.

Trends point that way.

But chances are just as good that corporate profit rise--on which Bureau is relying heavily for increased revenue--will fall short of estimates.

Therefore:

Adjust \$79.8 billion expenditures up to about \$80.5 billion to allow for bigger spending programs and you've got a fairly good estimate of what really will happen in fiscal year ahead.

Adjust \$84 billion revenue estimate down to about \$83 billion.

But remember:

End of fiscal '61 is 17 months away... lot can happen to change both estimates.

► **WELFARE SPENDING** keeps zooming.

New fiscal facts show that this year's spending for national defense is actually 2% per cent lower than it was in 1954.

But welfare programs are costing the taxpayers 77 per cent more.

Interest on the federal debt is costing us 40 per cent more.

Tax collections in the same period have gone up 25 per cent.

See comments on page 110.

► **A \$350 BILLION DECISION** will be made by voters this year.

That's minimum estimate of how much the next President will spend during his four years in office.

Important action shaping policies and programs for expenditure of that \$350 billion will be taken in early months ahead.

Thousands of businessmen who want to become better informed on congressional issues in this election year will attend the U.S. Chamber's Aircade meetings in a dozen key cities this month and next.

Meetings will be held at:

Tampa, Fla., Feb. 16; Greensboro, N. C., on the 17th; Newark, N. J., on 18th; Indianapolis, Ind., on the 19th.

Davenport, Iowa, on the 23rd; Memphis, Tenn., on the 24th; Wichita, Kans., on the 25th; Ft. Worth, Tex., on the 26th.

and at Pasadena, Calif., on Feb. 29.

Salem, Oregon, on March 1; Boise, Idaho, on March 2; Minneapolis, Minn., on March 4.

Watch your local newspaper for details of the meeting in your city.

►MISSILE EXPERTS now claim more accuracy than Ivory soap is pure.

Atlas missiles, Pentagon says, can be fired more than a fifth of the distance around the globe with enough accuracy to strike and destroy the downtown section of any town or city.

An Atlas fired from Chicago could pulverize any target between Tokyo and Cairo, Egypt, including Moscow 4,984 miles away.

Off-course error averages no more than two miles--an average percentage error of 0.04 per cent for that distance.

Other side of the coin is that average accuracy for 15 firings at targets more than 5,000 miles away is 99.96 per cent for that distance.

Advertised purity of Ivory soap, as any consumer knows, is 99.44 per cent.

►AMERICA'S SHAREOWNING population is growing at the rate of more than 2,350 persons per day--Saturdays, Sundays, holidays included.

Average is 860,000 new shareowners each year.

That means:

More than 18 million Americans will be shareowners of business by the mid-1960's and by 1970 the number will reach at least 22 million.

Figure compares with 12.5 million now.

Keith Funston, president of the New York Stock Exchange, attributes this growth in company ownership to these factors:

Monthly investment plan--which permits an individual to invest as little as 45 cents a day.

Investment clubs--whereby small groups (10 to 15 people) pool their funds (as little as \$10 a person per month) and buy stocks on a regular basis.

Employee stock plans--with more than 1.3 million persons investing regularly, some through automatic payroll deductions.

Mr. Funston also attributes broadening stock ownership to revision of some

state laws that makes stock gifts to youngsters easier.

►THE 180 MILLIONTH AMERICAN will soon be born.

When U. S. census begins two months from now, that's how many people Uncle Sam expects to count.

But the number could be as much as a million too low.

In any case, the total will be about two million in error by the time the census report is completed.

That's how many more Americans we'll have between April, when census starts, and end of the year.

Since 1950 we've gained approximately 29 million people.

That compares with 19 million gain between 1940 and 1950.

►POPULATION GROWTH won't automatically bring prosperity.

Whenever economists list reasons for business growth in bright years ahead they include population.

But look at these facts:

This country will gain approximately 35 million people in the next 10 years.

Red China will have that many more people just about two years from now.

►THERE'S SOMETHING MORE to prosperity than an expanding population.

If population alone were the key to prosperity, Red China would be many times more prosperous than we.

What is the something more which spurs our growth?

Many things, explain economic thinkers.

Key factors are these:

Resources--including land for food production, minerals, raw materials, skills of people to produce what is needed for boosting standards of living.

Innovation--ability to create solutions, build know-how, increase technology, ability to use resources we have.

Freedom--meaning the opportunity for freely deciding how best to achieve economic goals.

►FOR YOUR BASIC BUSINESS PLANNING--

Count on paying higher interest rates in years ahead.

management's WASHINGTON LETTER

View in Washington at this time is that rates in '60 are more likely to go up than down.

Same is true for the long run.

Analysis of long-term trends supports conclusion that:

"Ahead is a lender's market, not a borrower's market."

You'll want to see page 86 for analysis of meaning for businessmen.

► **COMPULSORY UNIONISM** is spreading. That's finding of a Bureau of Labor Statistics study of 1,631 union contracts covering 7.4 million workers.

Study found:

That 74 per cent of the workers have to join a union to keep their jobs.

That another seven per cent have to stay in the union if they join it voluntarily.

Previous study (made five years ago) found that the number of workers who must join a union--whether they wanted to or not--was 64 per cent.

► **THERE'S A NAME** for featherbedding in Great Britain.

It's called "employment redundancy."

► **EMPLOYMENT REDUNDANCY** continues to plague U. S. business.

Most significant meaning of the steel settlement for businessmen is this:

No progress was made toward elimination of uneconomic work rules.

This lack of progress comes at a time when politicians particularly are crying for faster economic growth.

Yet wasteful employment practices don't add up to a faster growth rate.

► **WILL STEEL SETTLEMENT** create a new inflation spurt?

Probably not--not right away.

Will prices be raised?

Try adding \$1 billion to your own industry's payroll and see what happens.

That's how much the settlement will cost the steel industry.

► **WAGE INFLATION** works three ways.

Payroll cost increases exceeding worker productivity can result in:

1. Price increases.
2. Unemployment.
3. Reduction in profits.

► **IN ASSESSING INFLATIONARY** aspects of the steel settlement, imagine what the effects of no payroll cost increase would have been.

In that event, you'd have seen competition at work toward lowering steel prices during next 2½ years.

Thus steel would have been a negative factor among price pressures.

Agriculture currently is working that way.

That is:

Consumer Price Index has been rising only slightly in the past year, chiefly because food prices have declined enough to offset increases in other price areas.

It is now clear that, in the next 2½ years, no price declines are likely to come because of lower steel prices.

► **DELAYED-ACTION FUSE** could light fire under new inflation later.

First steel wage hike--seven cents an hour--takes effect next December.

Watch for any steel price increase to come after that.

But watch first for profit decline to strike the industry.

Higher payroll costs--other than wage hikes--are effective now.

Companies agreed to pick up workers' share of the cost of health insurance.

Most other contracts provide for sharing these costs.

Now you can expect other unions to pressure employers to pay the full tab for health benefits.

► **OTHER SIGNIFICANT FACTS** about steel agreement you'll find useful to keep in mind are these:

There is no immediate wage increase --which can be used as a pattern for unions in other industries to follow.

There is a ceiling of six cents an hour over 30-month period on cost-of-living wage increases.

Under the previous three-year contract the steel workers got 17 cents in cost-of-living pay hikes.

► **HISTORICAL NOTE** for future reference:

This was fifth big steel strike in a row in which the union got White House help in pressuring industry to come to terms.



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Business opinion:

Executives talk politics

NATION'S BUSINESS has been instrumental in helping me, through its objective management articles, solve many of my business problems.

Your December editorial, "Action Supplants Luck," in which you advise businessmen of their political responsibilities in a democracy, works to preserve our nation's strength and health. The entire responsibility for the state of politics and government lies on the shoulders of business people who do not step into the political vacuum—which is then normally filled by the wrong kind of politicians.

I own and operate two retail furniture stores, employing about 200 persons.

Also, I serve as county commissioner in Bexar County.

SAM JORRIE
Jorrie Furniture Co.
San Antonio, Tex.

The question has come up, should businessmen go into politics? It could well be asked: Should farmers, educators, labor, Catholics, Masons, Rotarians, or other groups go into politics?

I would like to answer this question with the statement that in 1956, of 102 million eligible voters, 26 million Democrats and 35.5 million Republicans voted.

This means 40.5 million eligible voters did not vote.

Everyone who votes is in politics and everyone should be urged to vote.

HARRY KESSEL
Monroe, Mich.

Religion not an issue

Re: Senator Kennedy's presidential chances and religious beliefs ("Washington Mood," December):

Do you not admit that some Catholics would not vote for Kennedy for the reason that they believe another candidate would be a better President? Why do writers who proclaim themselves fair-minded insist on constantly suggesting that a Catholic would support another Catholic simply because they have that in common?

A great number of members of the Catholic Church do not feel that

their vote is determined by a man's religion.

WM. J. DESMOND, JR.
Brown-Elmore Shoe Co.
Aberdeen, Wash.

►Our article was by Edward T. Folliard, a Catholic who shares Mr. Desmond's views. He was writing about professionals in the Democratic party, not rank-and-file voters.

Questions politicians' quiz

In the December article, "How to Spot Office Politicians," (by Eugene E. Jennings) the first statement of the accompanying questionnaire is:

"People remember a kindness longer than unkindness."

In the article you state that an office politician keeps in mind the fact that a person remembers an unkindness longer than a kindness. Since you say an office politician would check "yes" after the first statement of the questionnaire, does this not seem a contradiction?

Will you please clarify this for me? I think a politically astute individual would check a "no" answer.

R. PERRY
Geneseo, N. Y.

►You're right. Our error.

Capsule criticism

Self-appraisal is the key, never. Dr. Jennings explains. He adds: "If you agree with all of the statements, be sure to check to see if your reasons for agreeing are the same or different than those covered in the article on power tactics."

damn it - watch it!
than he is. Several executives re-
ported the

ROBERT C. RIBAK
Berkeley, Calif.

►From "Webster's Collegiate Dictionary": "the constructions with to and than [after different] have long literary usage to support them but are considered incorrect by some."

Permission granted

May we have permission to reprint brief excerpts from the article,

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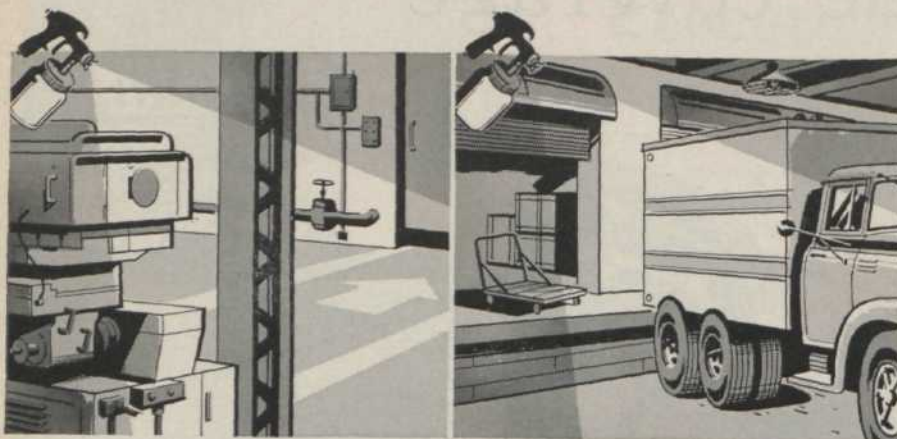
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"Management in the '60s: Training Leaders," December issue?

This material will be reproduced in a monthly memo which is sent to participants in our executive development program. The purpose of the memo is to invite attention to worthwhile current thinking in the management field.

J. H. PAYNE
Coordinator
Executive Development
CONVAIR
Fort Worth, Tex.

Parkinson's Law

I have just completed reading "Parkinson's Second Law: Expenditure Rises to Meet Income" in the January issue.

The article is well written, interesting, and amusing. The contents deal with a subject with which every American should become better informed.

GERALD L. PITT
Secretary
Henry County Farm Bureau, Inc.
Cambridge, Ill.

This very clever, thought-provoking, and timely article deserves wide distribution.

DUANE W. RIGGERT
Executive Director
Wyoming Taxpayers Association
Cheyenne, Wyo.

May I compliment you on the Parkinson story. I think this was a very fine job and does NATION'S BUSINESS great credit.

HAROLD BRAYMAN
Director
Public Relations
E. I. du Pont de Nemours & Company
Wilmington, Del.

Speaks up for schools

It is indeed gratifying that at long last you have made some constructive reference to the good work public schools throughout our nation are doing, even though January's "State of the Nation" indicates that you are still no friend of public education and that you look upon the profession of school administration with distrust.

I sincerely hope you will continue to grow in your vision of the place of public education in our American society and in your writing will give it the respect it deserves.

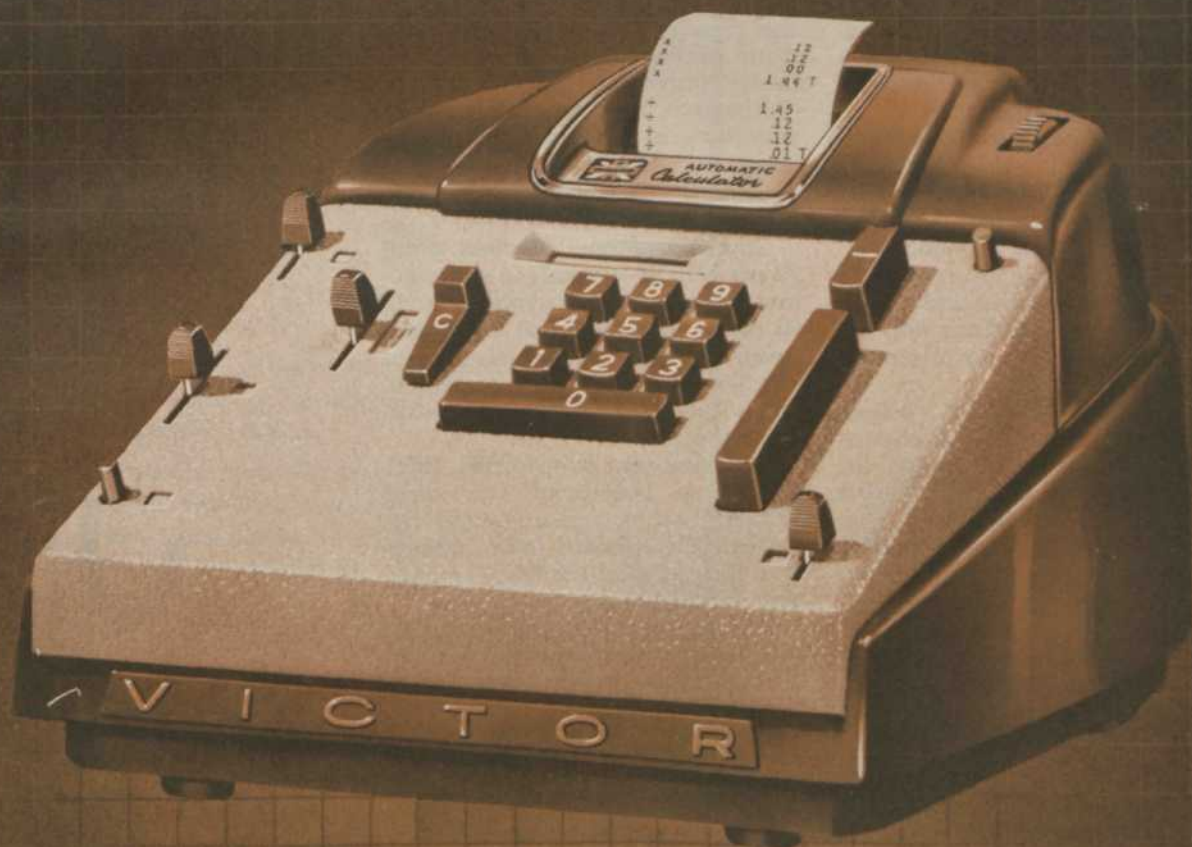
ERNEST R. BRITTON
Superintendent of Schools
Midland Public Schools
Midland, Mich.

Readers approve

In your December issue, we read with interest the article "Written Policies Help 9 Ways."

L. O. REESE
President
Armstrong Products Corp.
Huntington, W. Va.

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Who owns inventions?

WHO SHOULD OWN inventions developed by industry with federal contract funds?

The issue raised by this question, simmering for 18 months, promises to come to a boil early in the 1960 Congress. The answer reached—industry or government—may have a strong influence on the future of American scientific progress.

Some 18 federal departments and agencies have contract-patent policies, but interest will focus on a provision of the Space Act of 1958 which permits, and in many instances requires, the government to take title to discoveries and inventions made by private firms working for the National Aeronautics and Space Administration.

Under the U. S. patent system, ownership of inventions traditionally has been reserved to the inventor or to the private concern employing him. Since World War II, however, the government has set up the Atomic Energy Commission, the National Science Foundation, and the National Aeronautics and Space Administration. Each of these agencies is required either to obtain ownership of certain inventions or

to consider the possible need for doing so in its contractual relations with industry.

The significance of the space-patent issue can be seen from these facts: Most important inventions today result from research money made available by government, industry, universities, or foundations.

Research and development expenditure in 1960 is expected to reach \$12 billion. Of this, more than \$6 billion will come from the government.

Government now finances about 95 per cent of research in astronautics, 85 per cent of aircraft research, 60 per cent of electrical equipment research, 40 per cent of telecommunications and broadcasting research, and 35 per cent of scientific-instrument research.

In its first year of operation, 1959, the Space Administration spent \$225 million for research. Only the Defense Department (\$2.5 billion) and the Atomic Energy Commission (\$675 million) spent more.

The Space Administration's expenditures are increasing rapidly. They are now nearing \$500 million annually. Predictions are that, with-

PRIMARYLY INDEPENDENT DISCOVERIES

air conditioning	gas refrigeration	mechanical cotton-picker
automatic transmission	gyro-compass	penicillin
catalytic petroleum cracking	insulin	plastic glass
chrome plating	jet engine	quick freezing
cyclotron	helicopter	radio
electron microscope	kodachrome	zippers
	magnetic recording	

PRIMARYLY TEAM — RESEARCH DISCOVERIES

cellophane tape	DDT	nylon
crease-resisting fabrics	fluorescent lighting	synthetic detergents
diesel-electric locomotive	modern artificial lighting	television
		transistors

Don't open



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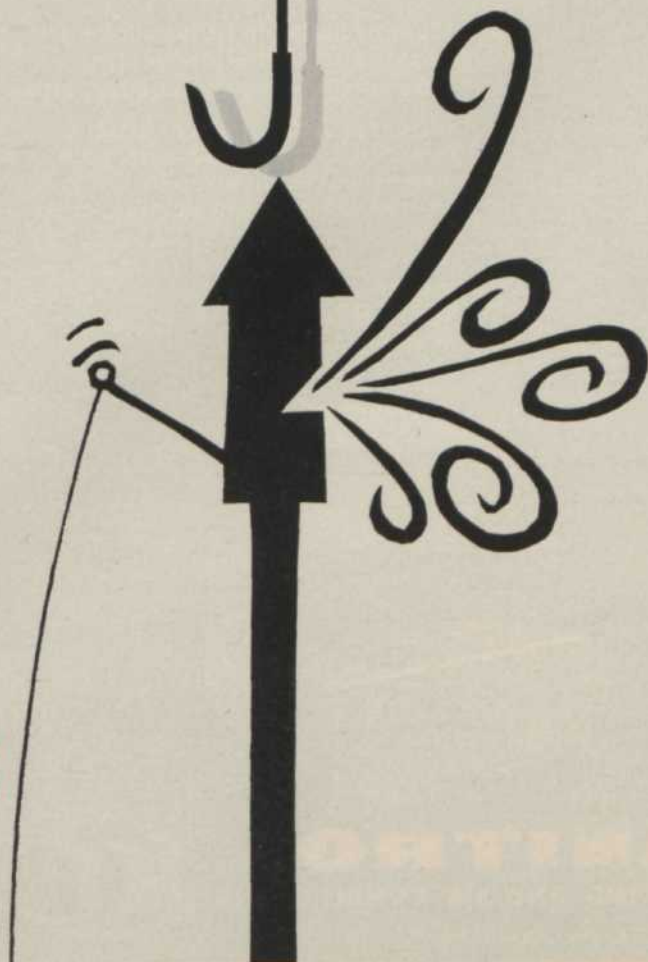
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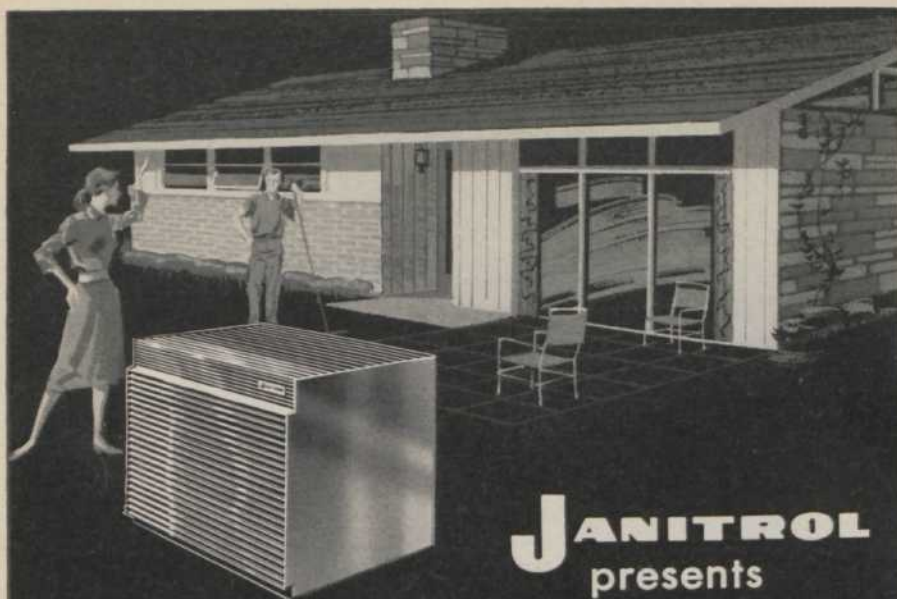
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INVENTIONS

continued

in several years, this will reach \$2 billion or \$3 billion annually.

Meanwhile, the 56 per cent of federal research money which the government is now contracting out to private industry may approximate 67 per cent by 1962.

The controversial provision of the Space Act provides, in effect, that an invention made under a contract of the Space Administration "shall be the exclusive property of the United States"—unless the Space Administrator decides that this will not serve federal interest and waives title.

This provision was written into the Space Act for several reasons. Among them:

- 1 Congress wanted to protect government interests in an important new field, although these interests could not be readily defined.
- 2 Some discoveries developed in pursuit of astronautics might be dangerous (as with nuclear energy) or universally beneficial to mankind (as with bio-medical advances) and hence should not be owned exclusively by private parties.
- 3 Employers often require that employees assign patentable inventions to them and the government should have the same prerogative.

Nevertheless, industry and the legal profession have argued that the Space Act provision infringes the U. S. patent system and is contrary to the spirit of the Constitution which set it up.

Their views have been forcefully stated to a subcommittee of the House Science and Astronautics Committee headed by Rep. Erwin Mitchell, Democrat of Georgia. The Mitchell subcommittee is the first congressional unit to hold public hearings on ownership of inventions developed under the national space program. Since the Space Administration, as part of its 1960 legislative program, is itself recommending modification of the law on patents, chances are that the governmental approach to ownership of scientific inventions will be reassessed.

The U. S. Chamber of Commerce has recommended that the Space Act be amended to allow NASA to follow the basic patent ownership policy of the Department of Defense. The Chamber questions the advisability of giving NASA unrestricted patent authority, as pro-

(continued on page 21)

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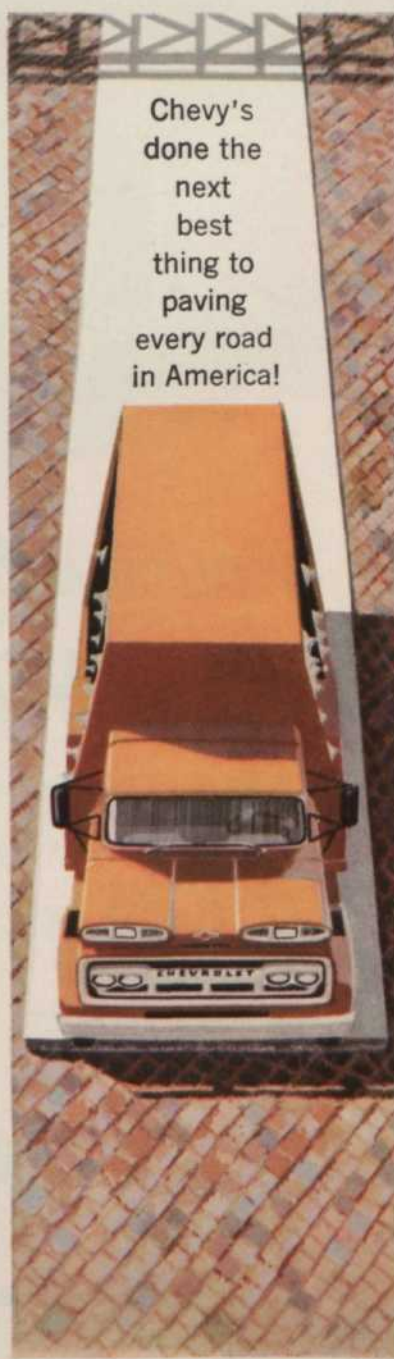
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THE WHEELS THAT GO EVERYWHERE



INVENTIONS

continued

posed in amendments submitted by the agency.

One practical problem which the Space patent policy has created is the difference of treatment the Space Administration, as compared to the Defense Department, must give private contractors.

Defense is free to bargain on patents with private contractors. Over a period of years this department has adopted a policy requiring that the government be granted an irrevocable, royalty-free license to use any discovery or invention developed through its research contracts. Patents and other property rights in the invention, however, are left with the inventor or his assignee.

Most agencies follow a similar practice. The fact that the Space Administration and the Atomic Energy Commission are obliged by law to pursue a different course frequently puts both government and industry in an awkward position.

Another question is whether discovery and invention have become so much an industrial team affair as to reduce the value of the patent to individual inventors to the vanishing point.

Prof. Seymour Melman, Columbia University engineer, sums up the view which puts diminishing emphasis on patent importance:

"There is growing disharmony between the efficient production of new technical knowledge and the effort, through the patent system, to treat that knowledge under property relations. This disharmony is intensified as the division of labor in science increases. . . . The conduct of inquiry increasingly requires the integration of interdependent technical skills. These developments make it difficult to specify what is new, what is invention, and who is an inventor.

"The problems of patent-system operation stem from the inability to apply the conceptions of a bygone era to the contemporary conditions under which technical knowledge is produced."

However, a recent University of Chicago study suggests that invention in America is by no means dominated by the well organized research team. Since the beginning of the industrial-research concept, the study points out, more than half of the important discoveries have continued to come from independent inventors.

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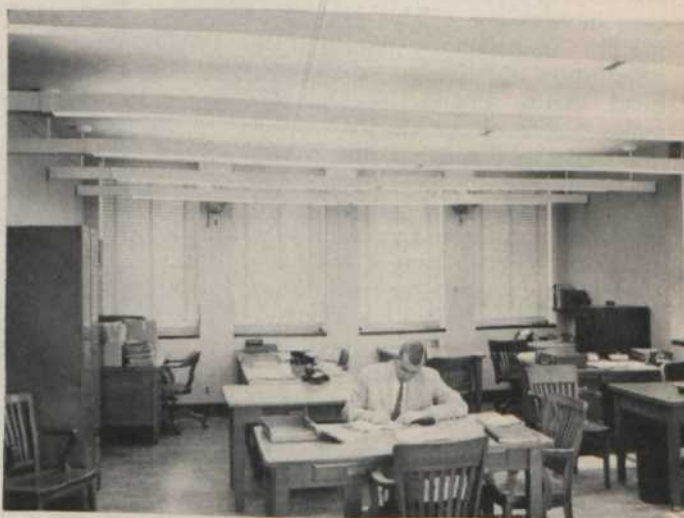


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Unusual aspects add heat to coming campaign

BY EDWARD T. FOLLIARD

FROM THE STANDPOINT of the student of history, the political situation today is utterly fascinating. A Vice President, it appears, is going to be nominated for President five months from now. That has not happened in this country in 124 years.

Seven Vice Presidents have moved into the White House as a result of the death of a President—John Tyler, Millard Fillmore, Andrew Johnson, Chester A. Arthur, Theodore Roosevelt, Calvin Coolidge, and Harry S. Truman. The last-named three went on to win election to the presidency in their own right.

However, since ratification of the Twelfth Amendment in 1804, only one man has won direct promotion from the vice presidency to the presidency by election. That was Martin Van Buren, protégé of Andrew Jackson, who was chosen to succeed Old Hickory as President in the election of 1836.

In the near century and a quarter that has intervened, the vice presidency has become the butt of more jokes than any office in the land. Many able men have shied away from it, regarding it as a political sepulcher.

Now Vice President Richard M. Nixon has a chance to make of the No. 2 office what it was in the beginning, a springboard to the presidency. If he is elected in November, his achievement will be without parallel in the history of the United States since the time of Thomas Jefferson.

Van Buren's case was different. His nomination by the Democrats for the campaign of 1836 was dictated and engineered by President Jackson, who dominated a convention packed by his own federal appointees.

If the Republicans nominate Vice President Nixon for President in July, the 47-year-old Californian will have won the prize strictly on his merits. President Eisenhower, a wholly different type from the fiery and domineering Jackson, has said from the beginning that he would maintain a hands-off policy with respect to the G. O. P. nomination this year.

In the early years of the Republic, it was widely

assumed that the man elected as Vice President would, in time, go on to win the presidency. Our first two Vice Presidents—John Adams and Thomas Jefferson—did, in fact, land in the White House. What changed the picture was the emergence of political parties.

It seems incredible now, but the framers of the Constitution, for all their wisdom, had not planned for organized parties. Under the Constitution as orig-



Since 1804, only one man, Van Buren, has moved by election from Vice President to President. Nixon may rewrite the record

inally drafted, there was to be no vote for Vice President. All votes would be for President, with each elector voting for two persons.

The runner-up in the balloting was to be Vice President.

In "Second Consul," a book about the vice presidency, Prof. Edgar W. Waugh has this to say about the method as first devised:

"Thus the Vice President was to be a person who almost gained election to the highest office in the land. Furthermore, many people in the early days expected that a Vice President, if well behaved and successful in his office, would be rewarded with subse-

TRENDS: WASHINGTON MOOD

quent election to the presidency. This happened . . . quite regularly until the development of strong political parties made the Twelfth Amendment necessary."

George Washington, who detested partisanship although he was regarded as a Federalist, was the unanimous choice of the electors for two terms. In his Farewell Address, he warned his countrymen against division along political lines. But, by that time, two parties had taken form, in embryo at least.

The Twelfth Amendment was proposed and ratified

WIDE WORLD



Governor Rockefeller's withdrawal means Richard Nixon's nomination by the G.O.P. convention this July is virtually assured

after the election of 1800, when Jefferson and Aaron Burr both received the same number of electoral votes. It was well understood that Jefferson was the candidate for President on the Democratic-Republican ticket, and that Burr was a candidate for Vice President on the same ticket, what we would now call his running mate. However, because of the wording of the Constitution, the electors could only vote for President. The election of 1800 was thrown into the House of Representatives, which had to break the tie between Jefferson and Burr. It took six days and 35 ballots before the House awarded the presidency to Jefferson.

With the arrival of political parties, it seemed likely that tie votes in the Electoral College would be a frequent, perhaps regular occurrence. Hence the need for the Twelfth Amendment, which required that each elector cast one ballot for President and a separate ballot for Vice President.

Sen. Pierce Butler of South Carolina strongly opposed the Twelfth Amendment, warning that, if adopted, the Vice President would become an "offspring of intrigue." This prophecy has been fulfilled many times in our history. More often than not political expediency has governed the choice of a vice presidential nominee. He has been chosen for a wide variety of reasons—geography, compromise, back-room political bargaining—but hardly ever with the idea that he might have to take over the presidency. As one historian has observed, we just don't expect our Presidents to die.

Getting down to the political situation as it stands

in this winter of 1960, it has this odd aspect: Leaders of both parties say they are happy that Governor Rockefeller pulled out and left Vice President Nixon a clear field for the G.O.P. presidential nomination.

There can be no doubt that this is true of most Republican leaders. They have a horror of conflict within their party, and a passion for unity. Governor Rockefeller has spared them the first and assured them of the second.

What about the Democrats? Are they really sincere when they say they would rather run against Vice President Nixon than Governor Rockefeller?

There are two ways to answer this. Unquestionably, the Democrats were sincere when they were saying it a year ago. They really believed that Mr. Nixon would, as they put it, be "easier to beat" than Governor Rockefeller. They had seen the very wealthy, very attractive New Yorker buck a strong Democratic tide in the 1958 election and win out over Averell Harriman.

Their reasoning at the time was that Vice President Nixon could not hope to get much more than the normal Republican vote in 1960, whereas Governor Rockefeller might get that and sizable blocks of Democratic and independent votes as well, just as he had in New York in '58.

That was a year ago. Today the Democrats no longer talk about the Vice President being easy to beat. They see him ahead of the top Democrats in the Gallup Poll; and some of them say that if the election were held now, he probably would win.

However, granting all this, it is still true that a number of influential Democrats like former President Truman are happy over the prospect that Vice President Nixon will be the Grand Old Party's standard-bearer this year. They know a lot about him. For the most part, they dislike him intensely, and they will have their hearts in the battle to defeat him.

The man these Democrats dislike so much is the one they call the "old Nixon," and also "Tricky Dick." They are angry because they feel that he cast reflections on the patriotism of their party in 1952 and 1954. That is something a professional politician can't tolerate. He will laugh off such epithets as liar, demagogue and rascal, but let somebody suggest that he is not devoted to country—look out.

The Vice President, who can slug with the best of them and also go high-level, says now that he never questioned the loyalty of Democratic leaders, only their judgment. That may be so, but he did it in a way that infuriated them.

There is another thing that burns up the Democrats. It is the irony that Mr. Nixon, having won political success as a foe of communists, now stands a good chance to reach the White House partly as a result of his trip to Russia and his meeting with the No. 1 communist of them all—Soviet Premier Nikita S. Khrushchev.

Some Republican boosters of the Vice President hailed his role in heading off a resumption of the steel strike, saying it added greatly to his stature. However, there were skeptics who preferred to wait and see whether the settlement brought a rise in the price of steel and therefore a rise in the cost of living.

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Dollar is threatened from two directions

BY FELIX MORLEY

A NEWS ITEM which seems of little consequence in itself may acquire a great deal of importance when placed in a broader context.

As a case in point, we take the recent agreement of the French and German telephone administrations to lower and equalize charges on calls across their common frontier. No distinction is now made for what used to be an international call. The toll is calculated on distance only, regardless of the flag that flies over the communities in communication.

This minor step toward European consolidation should be considered in conjunction with others lately put into effect, and with some anticipated for the immediate future. Among the now accomplished facts is the elimination of any frontier interference, throughout most of Western Europe, on the transmission of electric current. Also significant is the achieved pooling of railway rolling stock. A German freight car carrying merchandise to Italy need no longer wait there for a load back to Germany. After unloading in Milan, it may be shuttled indefinitely between Italy and France, if that is the exchange where its capacity is most needed.

The one word *Europa*, instead of the previous national designations, is now painted on the railway equipment of the six Common Market countries—France, Italy, West Germany, Belgium, the Netherlands and Luxembourg. It symbolizes their rapidly developing economic unification. More traffic is moving faster, as a result of this efficient utilization of facilities. As a result, the balance sheets of some European railway systems have become agreeable reading. This holds in spite of the rapid expansion of airplane traffic, both freight and passenger, among the Common Market countries.

Better telephone linkage across the Rhine is thus seen as a small, but integrated, part of a new industrial revolution as significant as that which transformed Europe in the early Nineteenth Century. The building of a unified economy for 170 million highly civilized consumers portends, in turn, the development

of a large-scale, mass-production European industry which will certainly rival that of the United States. Indeed, this trend is already so far advanced as to bring wholly new factors into the commercial and financial picture here at home.

Specifically threatened is the traditional American



No distinction is now made for what used to be international calls across the frontiers of France, West Germany

advantage of huge output at small unit cost. Gigantic industrial plants with the most modern equipment are no longer any novelty in Western Europe. Since the war, managerial and marketing methods have alike been completely revised. Yet, at least temporarily, the diligence and competence of the apprentice-trained craftsman remains unchanged. The European labor union still places major emphasis on the stability and continuity of employment. The net result is low cost and highly efficient production, offering ever sharper competition to our own manufacturers. American diplomatic guidance, technical assistance

TRENDS: STATE OF THE NATION

and financial help have all contributed to the developing industrial consolidation of Western Europe. That this is doing much to secure European prosperity, and to throw communism on the defensive there, is unquestionable. There is less certainty about the economic consequences of this historic change for the United States.

A series of articles in the *Wall Street Journal*, by its staff of European correspondents, has lately been examining how individual American companies respond to the lure of the Common Market. Those with old, established agencies in that area are tending to merge them, on the assumption that one centralized office, or greatly enlarged factory, can now effectively replace smaller branches heretofore located in separate countries. But this concentration is offset by the dozens of U. S. firms which are for the first time locating in Europe, the more eagerly because of the generous tax and other concessions available.

Thus, the reporters tell us, in southern Italy it is possible for an American plant "to begin manufacturing without any investment whatever." More than 100 different American companies are already located in the Netherlands and the energetic Hollanders are "pursuing 160 fresh prospects." In a well located Belgian town a newly located U. S. company is "already the second-largest employer." One of the Dutch "prospects" of which I have personal knowledge is an American publisher of medical books. Investigation shows that this technical material can be perfectly printed in Amsterdam in English and shipped back here at no increase of present dollar cost.

This proliferation of American business in Western Europe is encouraged by the progress already made

now anticipated that all governmental obstacles to the movement of goods and labor among the six participants will be removed within the present decade, cutting a couple of years from the schedule laid down by the treaties of 1955.

Furthermore, there is an increasingly strong pull on the seven other European countries, now loosely linked in a "Free Trade Area," to merge with the successfully functioning Common Market. The chief obstacle here is British unwillingness to lose commercial independence. France and Germany, on the other hand, are happy to sell Dauphines and Volkswagen duty free to each other, and increasing quantities of both to the United States.

The impact of Europe's new industrial revolution on the American economy is already pronounced. It is no mere coincidence that the upward surge of European exports, not only to the United States but also to countries where our exports used to dominate, has come since the establishment of the Common Market. This shift in world trade has, of course, been instrumental in building up the huge adverse balance of this country on international account. That deficit, in turn, has brought a foreign lien on American gold reserves which, if fully exercised, could force a further devaluation of the dollar.

Certainly the federal government cannot indefinitely continue to run huge deficits both in its foreign and domestic spending. This has to be admitted even by those who argue that a national debt now approaching \$300 billion is immaterial because "we owe it to ourselves," which is distinctly not the case with the 1959 deficit of approximately \$4 billion on international account, preceded by one nearly as large in 1958. That debt must be paid to others, in gold or otherwise, not less so because most of it has been contracted in the form of wholly uncompensated governmental grants of foreign aid. The interest rate which the Treasury must now pay to raise new money is of itself evidence that Uncle Sam has lost his once admirable credit rating.

We have had deficit financing now, almost continuously, since New Deal days. Many people seem to have reached the mistaken conclusion that the only penalty involved is a slow erosion of the dollar. The factor which these optimists have failed to anticipate is the phenomenally rapid emergence of a unified and highly competent European competition, able not merely to sell more cheaply, but also to produce more efficiently and deliver more reliably than is the case with our union-ruled and constantly strike-menaced industries.

That is the new element which has added a foreign threat to the dollar on top of the one made cumulatively greater by our own uncovered domestic spending. This dual threat is now pointed at every American home and only the utmost economy in the present session of Congress can avert it. By election time the voters will have ample opportunity to distinguish between those who are working to save the dollar, and those who do not seem to care how far its dwindling purchasing power falls.



Skilled craftsmanship is still at the heart of European industry, but modern methods are present and are fast growing

in building the Common Market. Simultaneously, the elimination of trade barriers within the area is facilitated by this influx of foreign enterprise. It is



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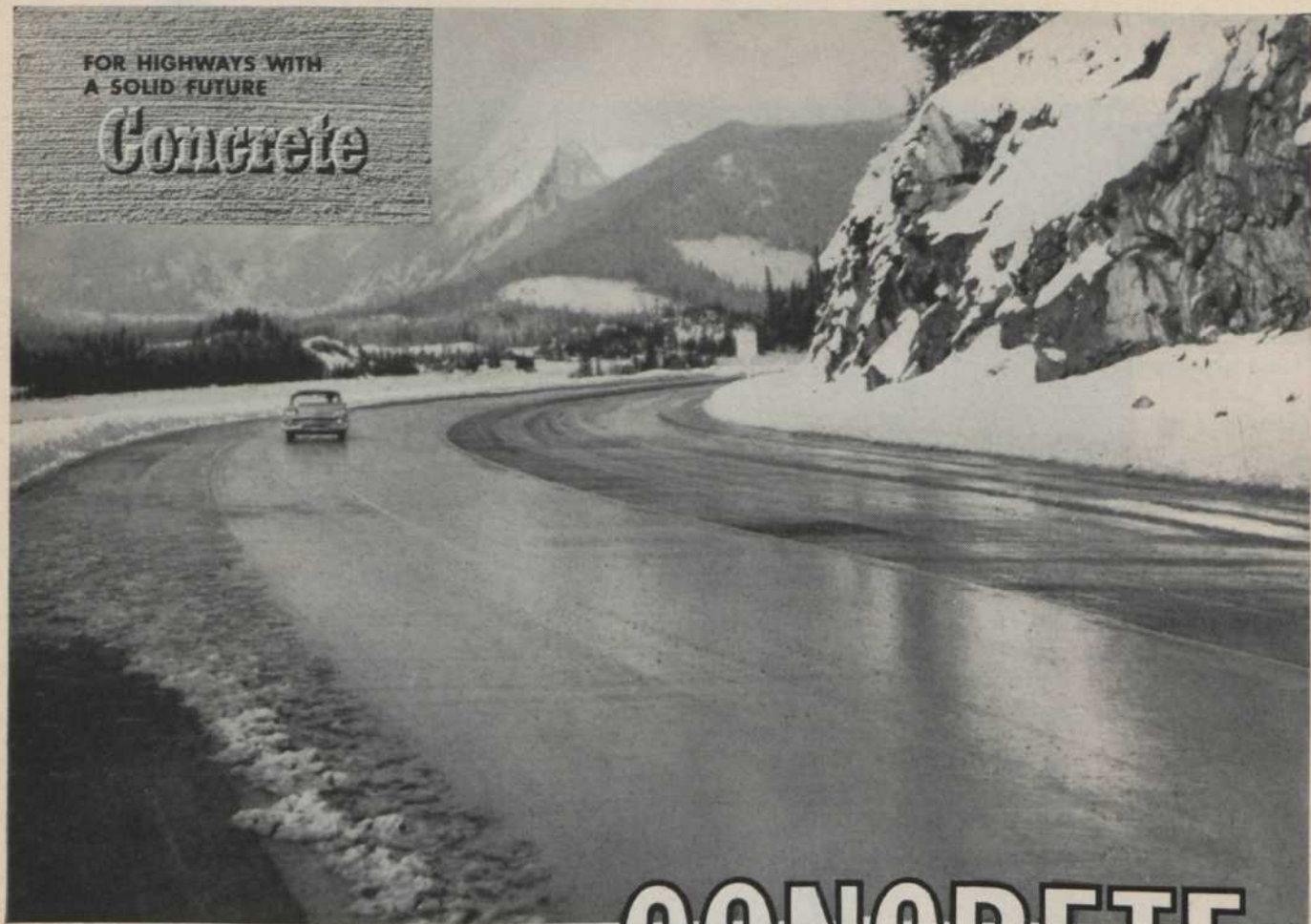
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Snows are mighty heavy in Snoqualmie Pass. 30 feet a year is nothing unusual. For 5 months every year, it takes the biggest and heaviest snow removal equipment in the business to keep the road passable.

Traffic is plentiful and, when the road is posted, every car uses chains designed to take a deep bite. This is really tough on the road surface—but concrete is meeting every test.

As a special safeguard, bubbles by the billions (air entrainment) have been put into this concrete. And through temperature changes and repeated freezing and thawing, the surface is kept free of any scaling or break-up. Even tons of de-icers can't cause harm.

Here's a perfect example of the *stability* found in con-

crete under the most difficult and extreme conditions. One more reason why you're seeing so many new concrete highways. They are stretching out mile after mile on Interstate and other heavy-duty routes everywhere.



Checking bubbles by the billions, the "air void analyzer" gives an electronic control on air entrainment. Some 5 million bubbles per cubic inch of concrete (magnified specimen at right) give freezing moisture the room to expand.

PORTLAND CEMENT ASSOCIATION

A national organization to improve and extend the uses of concrete

BUSINESS FACES NEW FEDERAL CONTROLS

Demands are growing to make Uncle Sam the protector and provider for everyone

"It seems to me that something could be worked out by the government through the drug companies so that patients could be supplied with essential medicines."

"The steel companies should be placed under the same controls that operate for gas and utility companies."

"If broadcasters are not going to do something about such television practices, then the government ought to take over the responsibility."

These are passages from letters that members of Congress are receiving from constituents as the lawmakers get ready to polish their campaign records for this important election year.

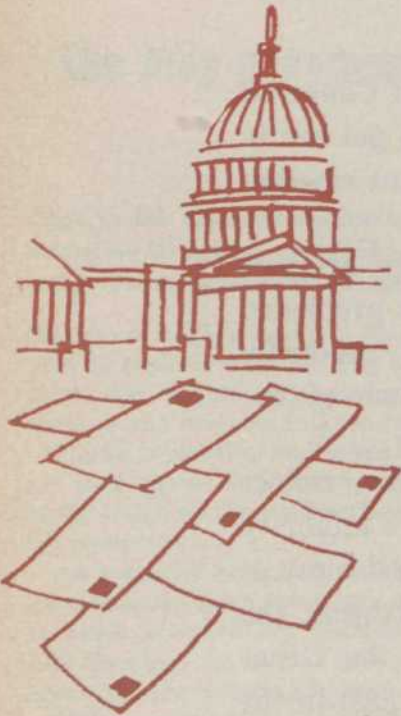
Several recent and well publicized events have aroused the public's concern about personal and economic problems. Television deceptions, cancer scares over food products, strike-locked industries, expensive drugs are some of the things causing wonder and worry.

The messages from constituents to congressmen reflect these attitudes and emotions. Undoubtedly they are minority views. But they do show how Uncle Sam more and more is taking on a father image. To many individual citizens, the federal government is the Great Protector and the Great Provider. At the same time business is frequently cast in the role of a profiteer with a public-be-damned attitude.

This has all served to pump new vigor into several pending legislative ideas. It strengthens the chances that Con-

NEW FEDERAL CONTROLS *continued*

Letters to Congress reveal both concern and confusion on issues



gress will pass new laws to regulate business and pile on more government costs. It at least has helped make the public a little leery of many business practices.

Business may frequently be put on the defensive this presidential election year. Since the Eisenhower Administration has been called a big business administration, some issue-hungry Democrats may link the Administration and business together as a target for criticism. For example, industrialist Bernard Goldfine's gift of a vicuna coat to ex-White House aide Sherman Adams will be recalled to voters' minds, for sure.

Union leaders are still stinging from corruption charges that were rained on organized labor throughout the Senate Racket Committee hearings. The Executive Council of the Machinists Union, for instance, after the Landrum-Griffin labor reform bill was passed, said that Congress should "investigate and correct the greater corruption that exists," and assailed what it termed the "ethical deterioration of business and industry in America today."

The big corporation can be pictured in a menacing light by the politician of either party who seeks the vote of the so-called little man, as if the little man typified a universally needy and dependent electorate who can be cared for adequately only by the federal government. Few presidential aspirants have any identification with the conservative business point of view.

"It's got me worried sick—all this pressure to let government do it," says one conservative Democratic member of Congress, Rep. A. S. Herlong, Jr., of Florida. "People just don't seem to realize that the government can become a dictator, not just an umpire, when it tries to control our lives."

Uncle Sam's role as protector and provider could well be enlarged in 1960, depending on the outcome of controversial proposals for:

1. Tax-supported welfare expansion.
2. Government regulation of business decisions.

These are major areas where federalization may thrust ahead.

One third of the voters expected to go to the polls next November will be more than 60 years of age.

This simple but powerful political statistic towers over shiftings and tuggings on specific welfare issues.

Several recent congressional and administrative actions have brought a sense of urgency to the problems of this expanding upper-age group. A Senate Subcommittee on Problems of the Aged headed by Sen. Pat. McNamara, Michigan Democrat, toured the country during the congressional recess drumming up interest in older people's problems from health to income to leisure time.

As a result, Senator McNamara has recommended a "substantial increase" in social security benefits. He has proposed using the social security setup to pay for medical care and hospitalization for older people.

For several years, Rep. Aime J. Forand, Democrat of Rhode Island, has been gathering support for his bill to amend the social security law to provide insurance against the cost of hospital, nursing home and surgical services to everyone eligible for old age and survivors benefits or who would be eligible if he applied.

The AFL-CIO rates the medical insurance proposal among its top legislative wants for 1960. So unions will be pushing hard for a new law.

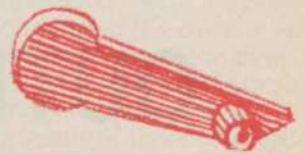
In December the idea of federalized health insurance got an unexpected boost. U. S. Health, Education and Welfare Secretary Arthur S. Flemming told the American Public Welfare Association the Administration would offer a "positive program" to meet the health problems of the aging.

It was like firing a shot over an edgy herd of cattle. The stampede was on. The House Ways and Means Committee, which handles social security legislation, immediately announced that it would hold hearings and include consideration of "new types of insurance benefits."

"Flemming blew the breath of life into the Forand bill," Rep. Burr Harrison, Democrat of Virginia, told *Nation's Business*. Representative Harrison is chairman of the Social Security Subcommittee of the Ways and Means Committee. "I never knew the Administration to bring up an idea yet that the liberals didn't rush to the left of it," he said.

Other members of the Ways and (continued on page 78)

ELECTION YEAR THREATENS BUSINESS WITH:



Political interference
with price decisions



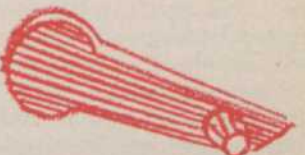
More regulation of
food, drug industries



Compulsory health insurance at taxpayer expense



New controls on broadcasting and advertising



Government settling of
labor disputes

USEFUL LOOK AHEAD

OUTLOOK FOR PRICES

Watch developments in six areas that influence price changes

By JULES BACKMAN

PLANNING for the months ahead would be simpler if we could be sure that the stable prices of the past 18 months or so will continue.

Since the bottom of the recession was reached in early 1958, the total value of goods and services produced has risen from \$434.5 billion to an annual rate of about \$500 billion. Wholesale and sensitive raw material prices have shown only minor changes and the rise in the Consumer Price Index has been small.

The last similar period of recovery and price stability was in 1952-55. In the three years that followed, prices rose eight per cent.

Businessmen would like to know if this is likely to happen again.

The steel wage settlement has generated widespread concern that we will experience a new inflationary upsurge in prices. Such a conclusion is not warranted. Actually, the steel settlement involved labor cost increases estimated at $3\frac{1}{2}$ to $3\frac{3}{4}$ per cent or less than half as much as under the 1956 contract. Chances are that prices this year will fluctuate within a narrow margin.

Analysis of six key factors in price changes will tell you why.

The six factors are:

- ▶ Wage rates.
- ▶ The federal budget.
- ▶ Food prices.
- ▶ Productive capacity.
- ▶ Foreign competition.
- ▶ Past price behavior.

Wage inflation

The rise in prices during the 1955-57 recovery reflected the emergence of a new force—wage inflation—and a reversal of the prior downward trend of food and farm product prices.

The impact of wage inflation in future recoveries is still uncertain. If increases in labor costs in the entire economy can be held within the general limits of increases in output per man-hour, the pressure they generate can be significantly abated.

Labor contracts which will be operating this year suggest an average wage increase of three to four per cent. The steel settlement falls within this average. Output per man-hour will increase less rapidly than in 1959, especially since 1960 will be the third year of recovery and increases in total volume normally are relatively small as recovery advances. The steel strike,

however, has pushed forward some output that would have been produced in 1959.

If we assume that output per man-hour will increase in line with long-term average experience, a rise of two to two and a half per cent may be anticipated. This would mean wage inflation of about one to one and a half per cent this year, or at a much lower rate than in the 1955-57 period but somewhat larger than in 1959.

Lower overhead costs per unit will partially offset this rise in labor costs. It appears that rising total unit costs will bring only minor pressure for higher prices.

The prices of services, however, should continue to creep upward as a result of higher labor costs.

The federal budget

The significant shift in the federal budget is a major factor affecting the outlook for price inflation. In the year ending June 30, 1959, a budgetary deficit of \$12.5 billion was reported. In the current fiscal year a surplus of \$200 million has been estimated.

Whether the budget does achieve a small surplus or a small deficit is not too significant. The federal

government's activities will be a relatively neutral factor in 1960. A continuation of business recovery during 1960 will assure larger receipts. In the absence of some new international crisis, government spending probably will not rise much. President Eisenhower, in his State of the Union message, indicated that the budget for fiscal 1961 could show a surplus of \$4.2 billion.

It seems likely, therefore, that, for the next year and a half, the federal budget will not generate inflationary pressures.

High-level employment will mean a net inflow of funds into the unemployment insurance reserves. The increase in the social security tax will help to move that fund back into the black and withdraw funds from the private economy. Hence, the cash budget could actually have a small deflationary effect. In any event, it will be no worse than a neutral factor.

Such neutrality does not necessarily guarantee a stable price level. In fiscal 1956 and 1957, the cash budget had a surplus of \$5.6 billion. In spite of this, price rises averaging about three per cent took place each year.

However, a balanced federal budget would appear to operate against a major inflationary surge in the price levels.

Food prices

The rise in wholesale and consumer prices in 1955-57 was due in part to the fact that food prices, which had been declining in the previous period, began to advance. In part, that rise was due to unfavorable weather.

Currently, food supplies appear to be ample to avert a new rise in food prices. Crops in 1959 were at a record level. We will add to the large government stockpiles of important food and feedstuffs. This ample supply will be reflected in the

prices of dairy products, meats, eggs, and poultry.

The Commodity Credit Corporation holds a tremendous amount of farm products—\$7 billion as of late December 1959—with a further rise probable during the current season. Included in this total are more than two billion bushels of wheat and corn, our two basic grains.

As a result of these enlarged supplies, the Agriculture Department estimates that "both prices and incomes to farmers may average somewhat lower in 1960 than in 1959."

Similarly, Ewan Clague, U. S. Commissioner of Labor Statistics, has forecast that "prices of food can be expected to decline and reduce the inflationary effect of rises in other retail prices."

If this forecast is realized, it will be an important factor contributing to general price stability in 1960. However, weather conditions always

(continued on page 44)

Clues to future trends . . .

Wage rates—will push up slightly in months ahead

Federal budget—is not likely to add much to upward pressure on prices

Food prices—will probably decline, offsetting other retail rises

Production capacity—can increase without adding to inflation

Foreign competition—will help hold prices down

Prices in past recoveries—have fluctuated only moderately

. . . show how pressures will balance

New methods will improve business skills

Demands on industry will require changes in education for managers

A Nation's Business interview with
Dean Arthur M. Weimer, Indiana
University School of Business

NEW METHODS for developing management skills will be required for the years immediately ahead.

Arthur M. Weimer, Dean of the Indiana University School of Business, stresses this point in this exclusive interview with NATION'S BUSINESS.

The need for both formal and informal education of business executives will increase, Dean Weimer says. He stresses, too, the importance of self-education in the development of business leaders.

Dean Weimer has had intimate contact with the educational requirements of businessmen, both as head of the Indiana Business School and as a consultant to companies in many parts of the nation. The university's executive development program is regarded as outstanding.

In this interview, Dean Weimer tells what the nation's business firms, individuals and universities will have to do to keep executive skills and training methods abreast of changing demands on business.

At a time when all businesses are relying more on the schools of business for training leadership, you will want to read what this leading business educator has to say about the future direction of management education.

Dean Weimer, what changes will the new decade bring in the education and development of executives?

Educational programs will improve. Although the

absolute number of persons from which to pick managers will not keep pace with the need for management personnel, you can safely anticipate that the caliber of future managers will be higher. Their education and training will be better.

At least two important influences assure this. First, the demands of the business community for young people with a solid grounding in business administration are growing. Second, competition between business schools, engineering schools, arts and sciences colleges and other schools is growing more intense. I believe the general standards of workmanship in business schools on the undergraduate level are already improving.

At the graduate level, the typical business school student today is helping to achieve new standards in management education. The veterans who flooded into the colleges and universities after World War II stimulated the growth of more graduate programs than we ever had before, and programs of higher quality. Although we no longer have many veterans, standards are continuing to improve.

Another important influence on business education has been the executive development programs, both those established by companies and those provided by the universities.

In what way?

University teachers now come in much closer contact with executives than ever before. The result is the building of broader and stronger bridges between the business schools and the business community. Instructors have had to develop methods of instruction that appeal to the practical executive. This means a good deal of discussion, problem-oriented teaching, and increased use of case studies.

It works two ways. It stresses practical applica-

“ Schools will be
alive to changing
needs of business ”



“ New areas
of study will
be emphasized ”



“ Self-education will be
increasingly important ”

tions, but at the same time the executives need some theoretical concepts. Development of these concepts in a manner that makes them intelligible to the executive and applicable to his work seems to me to have been an important contribution of the executive development programs.

Then, too, the executives make available to the college faculty members a lot of materials, including up-to-date case studies, and give us access to this kind of information on a scale such as we have never had before.

As a result, the schools are now able to do a better job. In turn, the improvements that the schools have worked out for their own programs are interacting on the executive programs, so that there is a double bootstrap operation, in a sense.

Will this close relationship continue?

Yes. Some business firms have been dissatisfied with these programs, and there has been some dissatisfaction on the part of the schools, but for the most part the experience has been mutually beneficial. The schools have to be alive to the changing needs of business. I believe this movement has not yet reached its peak.

Do the "executive game" and other simulation exercises give students a real feeling for business?

They are an important educational device. In part they simulate business situations. They are tremendous attention-getters. They stimulate student interest, and they have the special advantage of integrating many different kinds of courses, and they force students to arrive at decisions under time pressures.

What other new techniques do you foresee?

The use of the case method, with various adaptations, has a lot of potential. We have used, for example, the so-called in-basket technique, where the student is given a series of memoranda, letters, notes on telephone calls and the like. This presents a situation or a series of situations and problems. He indicates what he would do under certain circumstances. This technique will be increasingly helpful.

But good lectures and good discussions are still sound educational techniques.

In addition, we ought to give students a chance to work in many different learning situations. They ought to be in big classes, because they are going to be working with big groups. Then they ought to have ordinary-sized classes, (continued on page 105)

WHAT TO DO WHEN CONTROVERSY COMES

These rules will help you when you speak out on touchy topics

MORE EMPLOYERS are finding it advantageous to speak out on controversial matters.

Interpretation and persuasion are being added to information and entertainment, which have been the traditional twin objectives of communication, particularly with employees.

Increasingly frequent in the billion-dollar employee communication programs—through company magazines, letters, reading racks, employee meetings and similar channels—are management statements on such issues as automation, union negotiations, politics, strikes, prices, inflation, wages, featherbedding, union representation elections and compulsory union membership.

Various factors account for this. They include the downgrading of the businessman in public prestige, the growth of union political power, stiffening foreign and domestic competition, wage-push inflation, and the increasing power of the federal government.

The experience of companies which have pioneered the trend toward directness on controversial issues is still too limited to produce rules which can be applied generally. Moreover, skilled know-how in this field is scarce.

Nevertheless, here are some guidelines, based on experience, which you may find helpful:

Anticipate controversy

Failure to speak up soon enough is a common error where controversy is concerned. Management could save millions—in dollars and

man-hours of work—if it would learn to anticipate consistently the effects of a given controversial action. An ounce of effective communication before union negotiations begin, before layoffs, before introducing automation or before other controversial events occur, is usually worth a pound of communication after trouble starts.

A few years ago a large company suffered a violent and costly strike that lasted for many weeks. Toward the end of the strike, a top officer was quoted as saying, "If our employees had understood the issues involved, this strike would never have begun."

An example of positive action is the communication job done by the railroads on featherbedding. Anticipating that this issue would likely be an explosive aspect of negotiations with the unions, management was explaining what featherbedding is, interpreting its views and soliciting employee and public support for its position long before actual negotiations began.

Regardless of the outcome, management's position is stronger because it anticipated controversy and began early to speak up.

Know your audience

Managers too often communicate on controversy in about the same tone, words and style their lawyers would use in a Supreme Court brief. The opposite extreme of pitching a message at about the third-grade level is also common. Either of these practices reflects a lack of understanding of the nature of the

employee or public audience. Three rules can help avoid this:

- ▶ Don't underestimate the intelligence of your audience.
- ▶ Don't overestimate the knowledge of your audience.
- ▶ Don't scold your audience indiscriminately.

Your communication will be wholly ineffective if listeners interpret it as talking down to them. While this must be avoided, remember that your audience may have little background knowledge of the subject involved. The median educational level of the American adult is less than 10 years of formal schooling. This fact cannot be ignored if communication is to be effective.

It is also important to remember that, when people act irrationally, the real cause is almost always misinformation or bad leadership. Your copy can be blunt, forthright and effective without making all employees, indiscriminately, the villains. Clear up the misinformation or attack and expose the bad leadership.

The following excerpt from a message to employees by the president of a multiplant midwestern firm incorporates these principles to a large degree.

"Automation is a formidable term, but it's just another name for better machines which mean less heavy work for employees and a better deal for consumers. The slowdown at B plant was unfortunate, but employees there were misled by misinformed scare-talk.

"Job security depends on our re-

maintaining competitive, and everyone who has access to the facts can see the relationship between staying competitive and improving our machinery."

Stress good for others

The caricature of profit-greedy businessmen who care nothing for people is no longer valid, but it lingers in the public mind. It is especially important that you put this distortion to rest when communicating on controversy. It is difficult for your opponents to characterize your position as narrowly selfish if you show how your proposal will bring the greatest good to the greatest number of people.

In this passage from *Ford News*, note how management interpreted its views in terms of what is best for employees and the public:

"Mr. Reuther's attacks on plow-back profits are a real disservice to his UAW members and to the country at large. . . . It is most unfortunate when the economic power of a labor minority is so great that its wage-inflation pressures prevent productivity increases from being shared by the whole community in the form of lower prices."

Understand your opposition

Controversy involves conflicting points of view. It is difficult to be effective as a partisan spokesman

unless you know not only who your opponents are, but what their exact position is. You also should know the kinds of arguments your opponents use, what media they employ to reach your audience, and how effective their arguments are.

Does your opposition attack the morality of your intentions, as in this quote from a union newspaper?

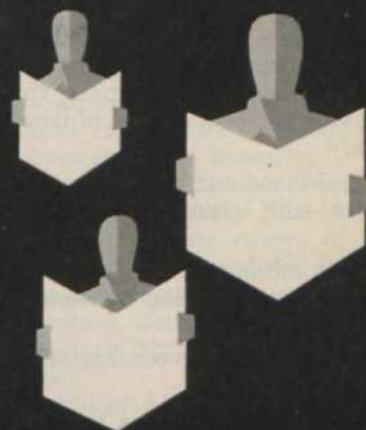
"Business turns its back on the basic needs of people. . . . Management believes workers are expendable . . . are pack mules . . . not good enough to deserve economic security."

Is there a strong ideological flavor to the attacks, as in this extract
(continued on page 60)



TO GET MANAGEMENT'S MESSAGE ACROSS:

- ▶ Anticipate controversy
- ▶ Know your audience
- ▶ Understand your opposition
- ▶ Expose opposition falsehoods
- ▶ Avoid seeming slick or infallible
- ▶ Use emotional appeals
- ▶ Identify your good deeds



Congress plans more costly job laws

Election-year pressure will influence lawmaker's action in employment field

CHANCES THAT the federal government will intrude further in the solution of local unemployment problems are increasing.

Supporters of more and costly federal invasion of local and state responsibility are building pressures for election-year action.

These pressures grow despite the generally improving employment situation and the brighter outlook following the steel strike settlement.

Nationally, unemployment was down to 3.6 million in December, a drop of 531,000 in a year. This represented 5.2 per cent of the labor force. The number of major areas with unemployment of six per cent or more had dropped from 83 to 32, and those with less than six per cent increased from 66 to 117.

The outlook for this year is for continued improvement.

Of the many proposals for federal intervention to reduce unemployment and minimize its impact, the two having the best chance of passing are:

- ▶ Federal loans and grants to communities with chronic unemployment.

- ▶ Federal minimum standards for states to meet in paying unemployment benefits.

Also getting serious consideration are:

- ▶ Federal tax concessions to individuals who move to another city to get work.

- ▶ Federal retraining of workers who are displaced by technological progress.

Additional measures have been advocated. Some by Walter P.

Reuther, president of the United Automobile Workers and chairman of the AFL-CIO Economic Policy Committee, reflect organized labor's major objectives in this field. In addition to the proposals already mentioned, they include:

- ▶ Federal grants-in-aid to states for general assistance to needy persons.

- ▶ Federal defense procurement policies which would allow the government to award contracts to hard-hit areas even though the bids were higher.

- ▶ Full social security pensions for unemployed workers who have no prospect of re-employment because of their age.

- ▶ Financial assistance and other inducements to get unemployed persons to move to communities where job opportunities are better.

- ▶ Denial of possible unemployment tax reductions to employers who do not list job openings with public employment offices.

Spearheading the drive for fed-

eral legislation has been the special Senate Committee on Unemployment Problems. It is headed by Sen. Eugene J. McCarthy, Minnesota Democrat, who has a 100 per cent pro-labor voting record in Congress as measured by the AFL-CIO Committee on Political Education.

The Senate group was set up last fall to study the causes of unemployment and other problems. It held hearings in Washington and more than 20 other parts of the country where heavy unemployment has persisted for a variety of causes.

It went into the anthracite coal sections of eastern Pennsylvania, soft coal areas of western Pennsylvania, West Virginia, southern Illinois, Indiana, and the iron ore mining country bordering Lake Superior.

It looked into the problems of railroad layoffs in Altoona, Pa., and Rock Springs, Wyo.; of seasonal and migratory labor around Portland, Ore.; of textiles and plant relocations in upper New York and New England; of agricultural labor in the Southwest; of automation in automobile centers of Michigan.

It examined the relationship between unemployment and automation, unemployment compensation, worker migration, reciprocal trade, age, shifting of defense contracts, minimum wage laws, mobility of labor, community problems, compulsory retirement, government spending, and other factors.

University professors and other experts were commissioned to write special papers on some of these aspects of unemployment.

The Committee was to have con-

For a close look at how jobs and benefits have improved in cities and states, turn to pages 90 and 91

cluded its work, at a cost of \$100,000, with a report and recommendations at the end of January.

This is what's happening on the two bills for federal intervention which are being pushed hardest:

Aid to depressed areas

Three times the Senate has passed a so-called area redevelopment bill sponsored by Democratic Sen. Paul Douglas of Illinois and committing the federal government to spending hundreds of millions of dollars to stimulate industrial development in areas of high unemployment.

As first passed, the bill would have made \$325 million available to local communities for loans, grants and public works projects. This failed to get through the House in 1956. (See "Shall U. S. Decide Your Town's Growth?" *NATION'S BUSINESS*, February 1957.)

In 1958 a second bill which would have provided \$279 million got through Congress but was vetoed by President Eisenhower as excessive. (See "Make-Jobs Plan Gets New Life," *NATION'S BUSINESS*, February 1959.) The President has favored a more modest program of around \$50 million to be spent largely for technical assistance and planning studies. He feels that the main responsibility for financing redevelopment must remain with local citizens.

Now a third bill, cosponsored by 38 senators, has passed the Senate. It would provide \$389.5 million in federal funds for loans and grants to promote industry in areas where unemployment has been excessive and has persisted for a long period.

The House Committee on Banking and Currency whittled the amount down to \$251 million, which is still far above what the President has indicated he would accept. The measure was bottled up in the House Rules Committee when Congress recessed last fall.

Supporters were not eager for a showdown—and a likely second veto by the President—at that time. They feel the bill has a better chance in this election year with the help of the special Senate Committee study.

The proposed federal aid is aimed primarily at areas described as having chronic labor surplus. These are communities where unemployment has been 50 per cent or more above the national average for at least four of the past five years. Last summer there were 17 major and 53 smaller areas in this category. The major areas were in eight states:

Pennsylvania, Massachusetts, In-



DETROIT NEWS

Labor's program for coping with unemployment was given to Senate Committee by Walter P. Reuther (right), head of AFL-CIO's economic policy group, who testified with his chief aid, Nat Weinberg, in support of federal aid

diana, Michigan, New Jersey, North Carolina, Rhode Island, West Virginia.

The 53 smaller areas of chronic labor surplus are in 21 states scattered from Maine to Washington and from Michigan to Alabama.

Senator McCarthy says that federal legislation is needed because unemployment is a national problem and therefore a national as well as local and state responsibility.

It is apparent, he says, that the economy of a particular community is affected by the federal government's trade and defense policies and by decisions of industry located far away from the community.

Senator McCarthy adds that his Committee's hearings have brought out the startling fact that both federal and state laws are inadequate to care for persons hardest hit by unemployment.

He says there is no adequate program for the long-term unemployed who have exhausted their state unemployment benefits. Most of them are unable to qualify for general assistance.

Moreover, he adds, general assistance programs are adminis-

tered by local authorities and, in the case of extensive unemployment, the community is least able to bear the burden.

A criticism of federal intervention is that, rather than create more jobs, it would transfer jobs from one community to another. Senator McCarthy seems to confirm this by his statement that, although a national unemployment rate of around six per cent is too high for a dynamic economy, "its effects could be managed if it were spread evenly throughout the economy."

Opponents of the Douglas bill told the McCarthy Committee that there are many causes of chronic unemployment which the proposed legislation could not cure and that, anyhow, the federal government already is giving considerable assistance.

Philip A. Ray, Under Secretary of Commerce, cited these as usual causes of surplus labor:

► Exhaustion of the natural resources exploited by the area.

► Declining demand for the produce of the area because of more accept-

(continued on page 90)

HOW'S BUSINESS?

today's outlook

AGRICULTURE

This year may bring higher net income for poultry farmers because of slightly lower feed costs and some improvement in prices.

Total output of poultry meat and eggs will be little if any above the record production levels of last year, according to the U. S. Department of Agriculture.

Indications are for a smaller laying flock this season as a result of last year's low prices. However, the apparent decline in demand may prevent the reduced supply from exerting much lift to egg prices in the next few months at least.

The Department of Agriculture also predicts a downturn in broiler production in the first half of 1960. If the cut is substantial, the higher prices may induce another upsurge by fall in broilers produced. Although output for the year may exceed 1959, prices are expected to average slightly higher.

As for turkeys, prices remained relatively firm last fall in spite of the record output. This suggests another bumper crop for 1960.

CONSTRUCTION

Important changes now taking place may result in annual construction volumes substantially greater than the \$85 billion now being predicted for 1970.

The annual volume of new construction put in place, which totaled some \$30 billion in 1950 and increased to nearly \$45 billion by

1955, is expected to exceed \$55 billion this year.

The \$85 billion projection is based on the anticipation that construction will continue to represent the same share of our total national output as over the past ten years.

However, important changes now under way may make future construction volumes substantially larger than this long-range estimate. As our population increases, as its age composition changes, and as its income grows, there will be increasing demand for more housing, for housing in vacation areas, and for residential units better suited to the needs of younger and older family groups.

Greater awareness of the problems of urban decay is leading to increasing demands for remedy of these ills through new construction.

CREDIT & FINANCE

Fear that our balance of payments and loss of gold to foreign nations might make dollar devaluation necessary is now largely silenced.

Federal Reserve monetary policy that has allowed money rates to tighten in response to a huge demand for loans is being regarded by many financial observers as the sort of tough financial measure needed to curb inflation and demands for money on the international scale.

U. S. Treasury fiscal policies have also been cited as contributing to this firming up of renewed financial

health and vigor of the dollar. While Russia may still hope for a dollar devaluation, thus enabling it to dump its home-produced gold on the world market, such measures now seem unlikely to be either appropriate or effective.

DISTRIBUTION

For the distribution field this year, everything points upward. Expanding population, more disposable personal income, greater satisfaction of consumer wants through new and better products, more trading up—these are just some of the things that put a glow on consumer market prospects.

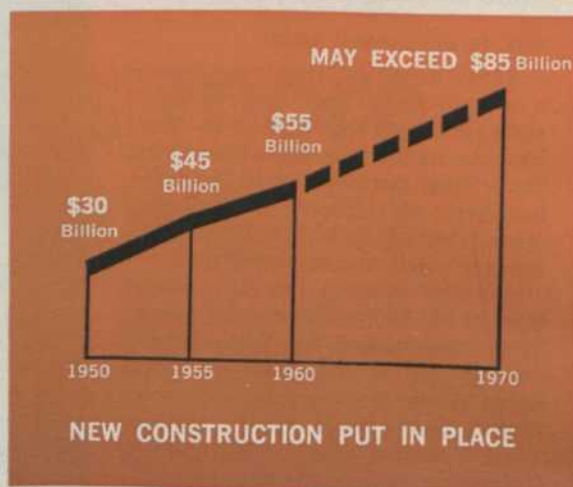
However, some trade authorities warn of increasing signs of profitless prosperity—what with many businesses being pressed by rising costs and sharpened competition.

These conditions are resulting in new marketing methods and new techniques.

They include: 1, greater reliance on self-service retailing of soft goods; 2, experimentation with vending machines capable of taking paper money; 3, use of push-button directories to help shoppers find wanted merchandise in big stores; 4, more mergers of nonrelated types of chains.

FOREIGN TRADE

Prosperous conditions and growing demand throughout Western Europe, along with removal of restrictions against American goods,



Chamber of Commerce of the United States

afford an opportunity for greater exports in coming months.

This, in turn, would help to alleviate the continuing U. S. balance-of-payments deficit.

The Administration recently emphasized that it will not try to lessen the balance-of-payments problem by restricting international trade. Its view is that expanded trade rests in good measure on keeping American costs and prices competitive with those of other countries. Increased restrictions on imports, officials say, would result in retaliatory action against U. S. exports, serve to undo progress so recently made, and hamper negotiations next September when, it is hoped, foreign nations will lower barriers on our goods still more.

There is no immediate shortage of dollars as such to limit purchases of U. S. goods by many countries.

Aggressive sales effort, it is estimated, could increase this country's exports beyond \$18 billion this year.

GOVERNMENT SPENDING

The next few weeks will see a flurry of action on budget bills as Congress looks forward to an early adjournment and political conventions. Hearings before the House Appropriations Subcommittee got under way even before the President officially submitted his budget. One or two of the more routine bills are expected to pass the House quickly.

Although economy sentiment seems generally high, the politicians have been noncommittal. Most express support of economy in principle, but hedge on specifics. Election-year pressures are always for higher spending.

It is unlikely that Congress will increase total appropriations above the President's requests, although specific programs will receive more. Others will be cut. Popular opinion for economy is high. So are taxes and prosperity.

As a result, proponents of higher federal spending will resort to back-door methods of financing, installment funding, and the establishment of new or expanded programs committing the nation to long-term, high-scale spending.

LABOR

Several key members of Congress have undertaken to find the reasons

for massive conflicts between employees and employers. They conclude that collective bargaining works best when it is conducted between employees and their own employer. If such employees are unable to bargain for themselves because of interference by the international union, true collective bargaining is nonexistent.

In an effort to avoid the totalitarian's solution of settlement by government order, whether in the form of fact-finding boards with power to recommend, government seizure of the struck industry, or compulsory arbitration, these leaders have proposed a law that would permit an employer's own employees to deal with him free from interference.

Not only would this practice prevent any labor dispute from creating a national emergency, but it would return to individual workingmen and women greater control over the fixing of their own wages, hours and other conditions of employment.

NATURAL RESOURCES

Look for a stronger electric utility industry in the next 10 years. Only two trends could hold back new industry-wide expansion: increased interference and competition from government, and overemphasis on Russia's supposed ability to overtake us.

The argument that private enterprise cannot provide low-cost electricity and that federal help is needed to keep the U. S. ahead of Russia is more political than factual.

Our electric utilities can continue to meet all power needs, competent observers believe.

Here are some of the developments that support this belief: New engineering concepts are being tested; big strides are coming in system planning and operation; unit and station sizes will increase, improving efficiency; higher voltages will improve transmission; bigger capital expansion is assured if the regulatory climate remains fair and if government competition does not increase; more jobs will be provided; better service will come even without adjustments.

TAXATION

There is no prospect for major tax reform this year. Chairman Wilbur D. Mills ended five weeks of Ways

and Means Committee hearings with the statement that it would take at least a year to analyze all the material presented and no revision should be undertaken until this could be done.

Here are the actions which seem most likely at this time:

1. Further one-year extension of the corporate and excise rates which are scheduled to revert to lower levels July 1.

2. Broadened social security benefits.

3. Revision of the tax treatment of corporate distributions and adjustments, the income taxation of estates and trusts, and the tax treatment of partners and partnerships.

4. Another temporary increase in the debt limit.

5. Congress will study the problems of state taxation of income from interstate commerce, and renegotiation. No action is expected on these.

The President's recommendations for a further half-cent increase in the gasoline tax, removal of the 4.25 per cent interest rate ceiling, and for elimination of the postal deficit are, to say the least, controversial and will be vigorously debated.

TRANSPORTATION

Public transportation media are making interesting and worthwhile technological changes in an effort to improve service.

One such improvement, developed by truck carriers of general commodities, is an industry-wide plan for the interchange of over-the-road equipment. Loaded and empty trailers will move from one participating line to another with relative freedom, in a manner resembling the freight car interline practice of the railroads.

Under consideration by for-hire truckers since World War II, the plan received a boost in 1957 when the Interstate Commerce Commission gave its approval to truck interchange rule-making. Last year the plan was further strengthened and amplified when a per diem charge for interchanged equipment was adopted.

A large part of the common carrier trucking industry has accepted the idea. The participants are convinced that the improved service resulting from equipment interchange will have wide appeal to shippers.

PRICE OUTLOOK

continued from page 35

constitute a big question mark during the planting and growing season.

Available capacity

The closer we come to capacity operations, the greater the pressure for price rises.

Unfortunately, we do not have adequate statistical data on industrial capacity.

The Federal Reserve Board estimates capacity for 17 major industrial materials which account for about 10 per cent of our total industrial output.

At the beginning of 1956, industrial output was 94 per cent of capacity. During the 1958 recession, output fell to about two thirds of

capacity. Before the steel strike the ratio was 88 per cent.

These figures suggest that the economy could accommodate a further rise in volume with no need for a higher price level.

We also appear to have an adequate supply of workers.

In November the civilian labor force was 69.3 million, of whom 3.7 million, or 5.3 per cent, were unemployed. These latter figures were affected to a small extent by the steel strike.

It must be recognized that overall surplus capacity in the economy does not necessarily mean that specific price increases can be avoided. Shortages may develop in specific areas and create price pressures. Some pockets have developed as an aftermath of the steel strike. It will take time before the pipelines are

again filled for products in which steel is important.

In the interim, some firming up of prices of automobiles, appliances, and other products would not be surprising.

Foreign competition

In many sectors of the economy, vigorous competition from imports is beginning to affect prices.

This has been important in connection with many items produced in Western Europe and Japan.

Textile prices—particularly lower-priced items—reflect this competition. Other evidence of competition is found in connection with various types of electronic products, foreign cars, bidding on heavy electrical equipment, steel, and the reduction in aluminum prices in response to Russian competition early in 1958.

The opening of the St. Lawrence Seaway will add to the competitive pressure on some prices in the Middle West.

While only a small segment of our economy has been affected so far, the area of foreign competition is widening.

Prices in past recoveries

No two periods of recovery are exactly alike. Nevertheless, it is instructive to review what has happened to prices during other periods of recovery from moderate recessions.

For this purpose, price behavior during five periods of recovery since 1924 has been examined. Omitted from this review are the recoveries from the 1929-33 depression and the recovery from the 1949 recession. In the latter instance, the Korean war distorted the significance of price comparisons.

During the first 18 months of the current recovery, the Wholesale Price Index has shown almost no net change.

The following tabulation shows the new price changes during a year and a half from the low point of the recessions indicated.

18 months after low point	Wholesale prices moved	Consumer prices moved
July 1924	up 8.4%	up 5.2%
November 1927	down 1.8	down 1.8
June 1938	up 1.2	down 1.2
August 1954	up 1.7	down 0.3
April 1958	down 0.1	up 1.4

The net changes during the first year and a half of most of the earlier recoveries were relatively

watch for...

How management will change

The realities of business life are not static. They change. In this article an expert looks at the field and tells what new demands, problems will confront business in the years to come

New threat of federal school control

A lot has been written and said about the direct dangers of federal control of public education. What is less known is the fact that we're getting such control through indirect means

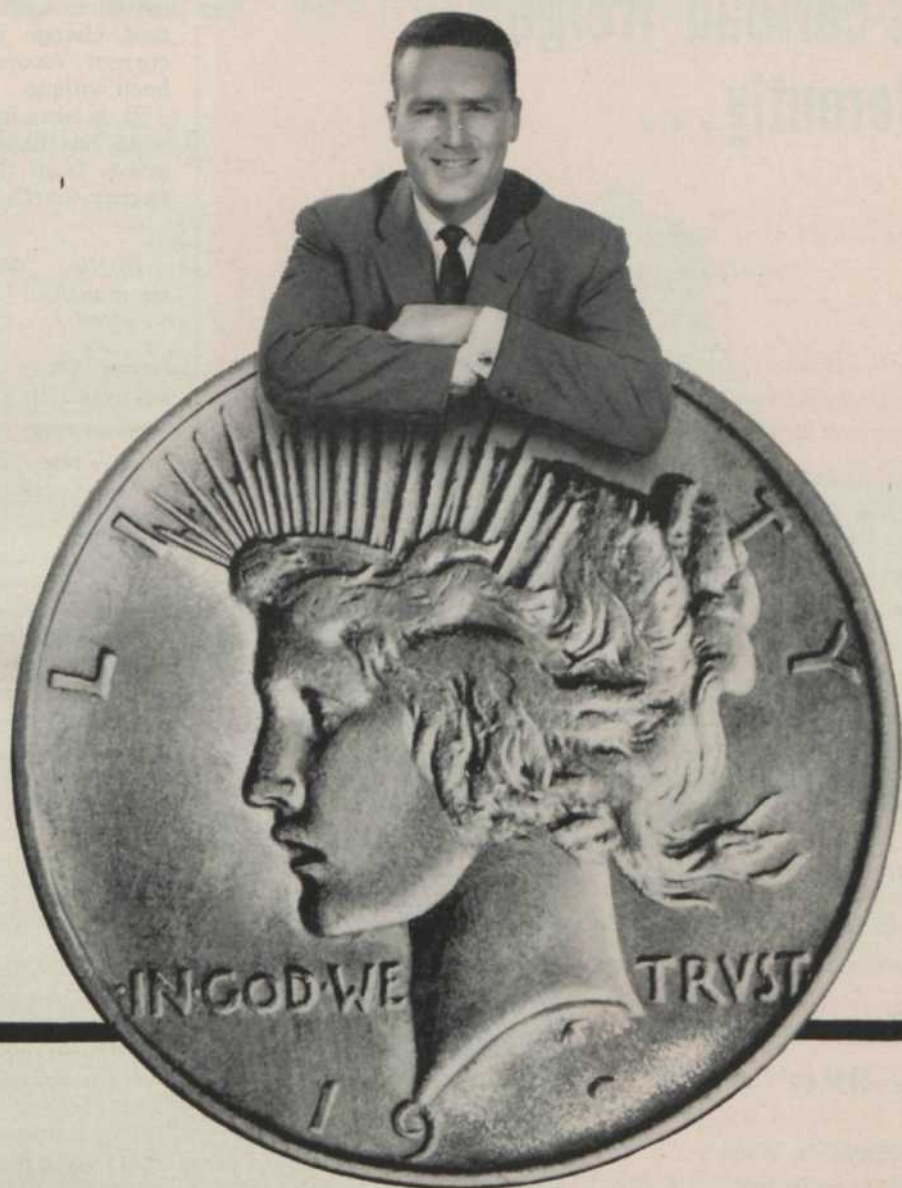
Tailor decisions to your needs

The highest-quality business decision is often not the one that produces the most desirable results. Here are some constructive suggestions on how to make decisions that will be truly effective

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find timely, useful, important*

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PRICE OUTLOOK

continued

small. Only during the 1924-26 recovery did prices change by more than two per cent. In light of this experience, the relatively unimportant change in prices during the current recovery clearly has not been unique.

It is also interesting to examine what has happened in the past to prices from the eighteenth to the twenty-fourth month of recovery.

<i>In the six months after</i>	<i>Wholesale prices moved</i>	<i>Consumer prices moved</i>
January 1926	down 3.0%	down 2.5%
May 1929	down 1.3	up 1.2
December 1939	down 2.1	up 0.8
February 1956	up 2.0	up 1.9

Both for wholesale and retail prices, changes in the fourth half year of recovery continued to reflect the moderate changes characterized in the earlier months. Increases or decreases generally did not exceed three per cent in either direction and usually were two per cent or less.

Although economic events do not lend themselves to mechanical forecasts, these data indicate that moderate price changes, including some decreases, are not unusual as recovery proceeds.

One important conclusion emerges from this examination of past experience. Changes in the price level have been moderate whether the direction was upward or downward. This is not startling. Normally, prices change within a narrow range except during periods of war and their aftermath.

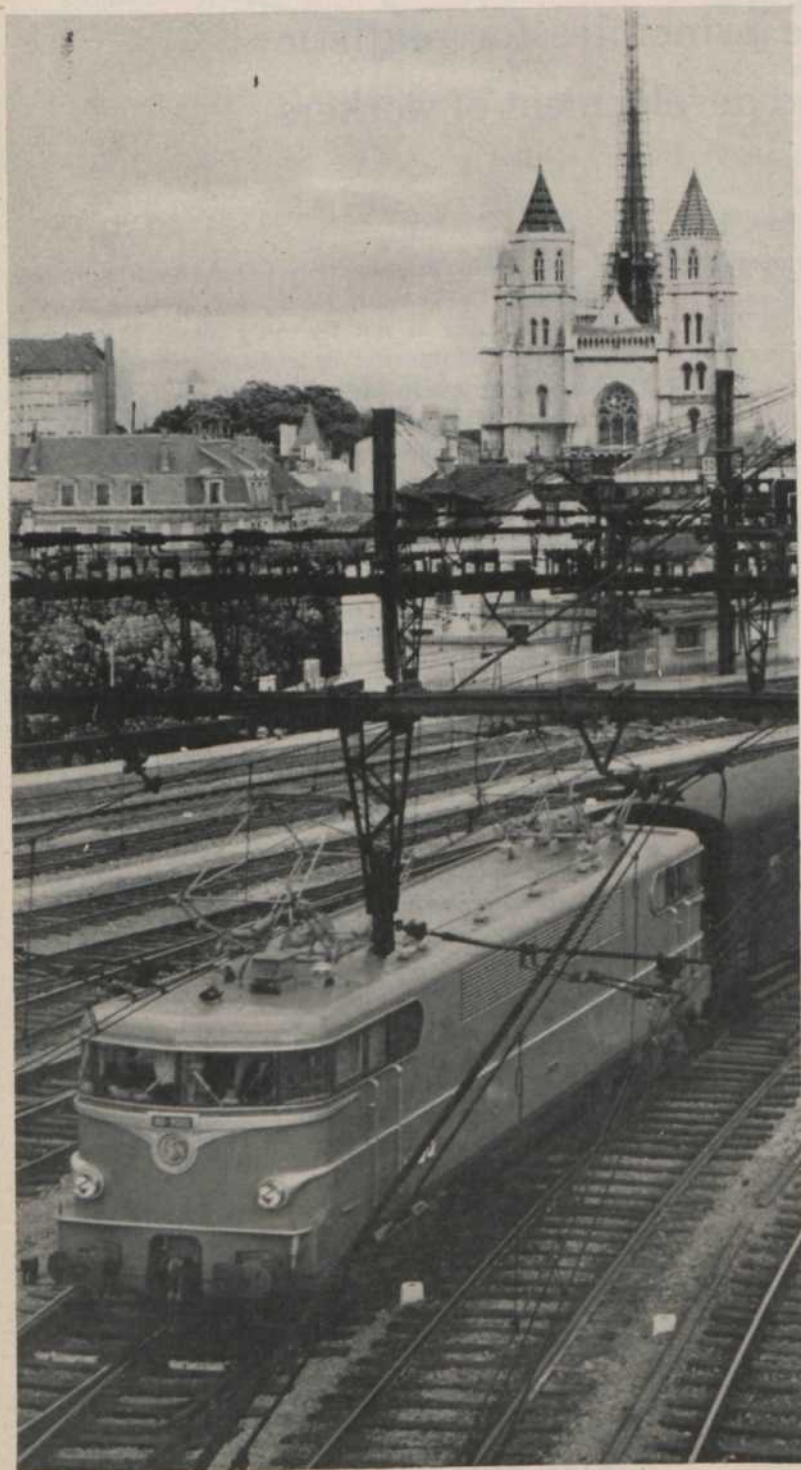
The tremendous impact of a war upon the economy causes major explosions in the level of prices. War-time pressures also affect early post-war periods, with the magnitude and direction of change significantly influenced by the structure of controls adopted during the war.

On balance, a new inflationary upsurge in prices appears unlikely in 1960.

The magnitude of the small change in prices will be influenced largely by the trend of food and farm product prices. At this time, a significant change in these prices appears unlikely.

However, Mother Nature has proven to be perverse in the past—and could be so again. **END**

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In France — and around the world — railroads are recognized as the most productive form of general transportation, with the lowest true costs.

* * *

In the United States, by contrast, public policies tend to ignore this basic truth.

Here, the government appears indifferent to the strength and stability of the railroads while it promotes and encourages the railroads' competition.

Railroads are burdened with discriminatory taxation — while their competition uses highways, waterways and airways built and maintained by the government.

* * *

The railroads of the United States ask no special favors. All they ask is equality of treatment — and the opportunity to compete on an equal basis — to the benefit of the public.

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HOW TO PICK CAPABLE MEN

Follow these principles for realistic recruiting and development of workers

EVERY BUSINESS OWNER or manager feels impelled to perpetuate his enterprise.

He must find a successor to himself and qualified people to step into vacancies as they arise in his administrative staff. Today, when management talent is short—with prospects of getting shorter—this task is difficult. That's why many companies have launched college recruitment and management training programs.

Not all of these programs are productive. Roughly one half the college graduates recruited into industry each year change jobs before the year is out, according to studies by Prof. Frank Endicott of Northwestern University. Other studies indicate that only five per cent of the men selected to become management trainees are still with their employers 10 years later.

Since the estimated average cost of recruiting and placing an engineering graduate is \$3,515, exclusive of salary, and recruiting and placing a graduate in arts and literature costs \$2,685, the direct cost to the employer when a man leaves during the first year is considerable. And to this must be added such indi-

rect costs as inefficiency, poor morale, and bad public relations.

The employer is not the only loser. The trainee who leaves voluntarily or is dismissed also suffers. His first attempt to prove himself has been marked by failure. His work record, often the basis of his acceptance or rejection by future employers, has been flawed. In many instances he has acquired a distorted conception of business.

Furthermore, many men who remain are not happy or productive and they have little real potential for assuming management responsibilities.

Some stay because they lack the spirit and initiative to leave.

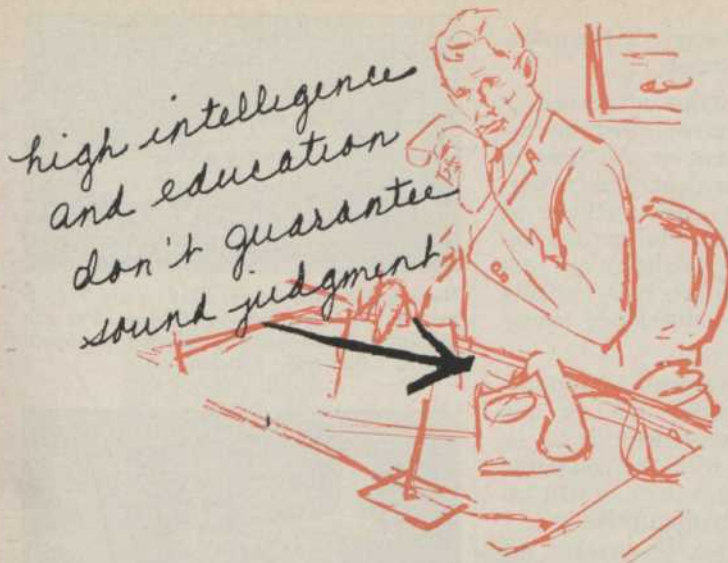
As a result, a form of negative selection takes place. The organization becomes overpopulated with men who experience difficulty showing creativity, imagination and initiative.

Companies can avoid much of this loss by taking two steps.

The first is understanding what kind of men can be recruited successfully.

The second is eliminating those who will not fit in





*high intelligence
and education
don't guarantee
sound judgment*

before, rather than after, they are hired. In most businesses, at least four levels of personnel must be discriminated.

At the apex is usually *one man* who establishes the policies and makes the risk-taking decisions. His initiative and dynamism give the enterprise its life, spirit and direction.

In the next echelon are the administrators. These men carry out the policies which the chief executive has formulated. Heading up the principal divisions of the business, they are primarily specialists in a relatively limited field.

Below the administrators are the technicians and the line supervisors. They are almost exclusively problem solvers. They have virtually no authority to make decisions involving policy or to make substantial expenditures.

At the bottom of the pyramid are the hourly rated plant, clerical and sales employees whose work is laid out for them in detail.

The significance of these four levels of employees is that the person who is qualified to perform admirably in one echelon may not necessarily be equally suited to fill a position at either a higher or lower level.

The typical top executive exhibits a rather unique constellation of qualities. He is aggressive, energetic and dynamic. He is an innovator and a risk-taker. He knows what he wants and how he is going to get it. He is sometimes ruthless and frequently nonconformist.

These qualities are either inborn or have been acquired early in life. The potential top executive must have all the basic qualifications the day he is hired. He can be taught skills, given the opportunity to practice and exercise his abilities and helped to develop polish and finesse in using them. But if he lacks the fundamental qualities of energy, drive, initiative and tough-mindedness, no amount of counseling, admonition or training will make him a qualified top-level executive.

A man with these qualities will tend to be frustrated and unhappy if asked to remain for more than a few years in a routine job.

Either he will lack the patience to wait out his promotion by seniority or, more serious, he will ex-

ploit his training and experience to his employer's disadvantage.

For example, the owner of a chain of supermarkets was urged by his bank to obtain a qualified second man who could run the business in case he became incapacitated. After some searching, he found such a young man. He brought him in and taught him every phase of the business.

At the end of three years, when the young man was ready to take over as second in command, he reviewed the situation from his own point of view and concluded: "The owner of the business is 55 years old and his health is good. He will never retire voluntarily, so that I may have to wait 10, perhaps 20 years, to take over the top position.

"I would be a fool to wait that long, even to own the business."

The next morning he was talking with his banker. On the strength of his training and experience, he had no trouble raising capital. In six months he had his own business in competition with the man who expected him to be his second in command. Of 72 owners of supermarket chains recently queried, 21 obtained their starts in this manner.

Furthermore, men who come up through the line are more often specialists than generalists. They know sales, production or engineering, but they do not see the business in broad perspective.

This is probably also the principal reason why a number of the largest and most successful businesses have found it necessary to go outside to obtain their entrepreneur-managers.

Controversial though this concept may be, there is sound ground for the conclusion that, if management is seeking unusually dynamic, tough-minded, aggressive leadership at the top, it must look for it ready-made.

This does not necessarily apply to men who are to occupy positions in the second echelon; the vice

*Major attributes of a
future executive are apparent
when he's hired*



CAPABLE MEN

continued

presidents, the top-level administrators. These men require altogether different personality qualifications, skills and experience. They are the specialists who carry out their chief's policies. Therefore, having come up through the ranks by seniority is not disadvantageous; they have learned to conform, to submit to discipline. On the other hand, they have still had ample opportunity to take risks, although rarely major ones. Since their major job is to carry out the chief executive's policies, their role is important.

They can, in many instances, make or break the business. It is this group in particular which does lend itself to recruitment, selection and development by means of formal programs.

If middle-level supervisors and top-level administrative managers are to be found and developed, it is first necessary to prepare precise specifications for the type or types of persons required. Without such standards, those who are responsible for finding, recruiting and developing the trainees will be at a serious disadvantage. Furthermore, without these standards, each trainer may have and use his own individual criteria.

In preparing these specifications, several points must be kept in mind:

1. Overqualification is as undesirable as underqualification. Too great a degree of dynamism or too high a level of intelligence can be as troublesome as too little. The ideal administrator falls in the middle range with respect to nearly all of his qualifications.

2. Technical qualifications may easily be overvalued. Under no circumstances should they be the sole or major criterion of a candidate's suitability.

3. Superior intelligence or extensive education provide no evidence that the individual's judgment will be good. There is no necessary correlation between education and intelligence, on the one hand, and common sense on the other.

4. It is futile to assume that radical changes can be made in the basic qualifications (intelligence, personality, motivation, emotional adjustment, etc.) of any candidate. Even if they wish to, few employers can afford to conduct a rehabilitation center or expect to accomplish

any significant changes in the make-up of their personnel.

5. All of the major attributes of the future executive must be demonstrably present at the time of his initial employment. This is particularly true of such qualities as energy, initiative, vitality and integrity. If these qualities are not present at the outset, it is unlikely that they will be developed subsequently.

6. The ideal member of middle management should not be too much of an entrepreneur. If he is, he will not stay with the company, will resent taking orders, or will become in some way disruptive.

The differences between the potential entrepreneur-manager and the administrator are that the latter is adequately conformist, so that:

1. He will be sufficiently yielding to avoid conflict with his superior.

2. He will not be so ruthlessly ambitious that he will be impatient to displace the chief executive and become master of the enterprise.

3. He will be able to tolerate a reasonable degree of regimentation and can conform to it without too great feelings of frustration. He must not be too unhappy when he discovers that he has been caught up in the trap of corporate beneficence (the stock options, the retirement plan, the flexible expense account, etc.) so that he cannot afford to leave his job even if he would wish to.

4. He must be able to accept conventional social standards off the job. Business has little place for beatniks.

In addition, the candidate for a top or middle-management administrative position must have adequate technical training and experience, be well motivated to perform his job and be free from manifest emotional maladjustment or neurosis. Since men with the requisite constellation of traits are rare in the population, many candidates must be considered to find even one.

It is estimated that more than 1,000 college graduates must be seen to find one true entrepreneur and at least 100 to 200 to find a potential top-level administrative candidate. It is also important to note that many entrepreneurs cannot be bothered to complete college.

Regardless of the source of candidates for development as middle and top-level administrators (whether from colleges or elsewhere), management must realize that such a program must be carefully planned. Of special importance



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CAPABLE MEN

continued

is the estimate of the number of trainees who will be needed. A prolific source of loss among new men is the lack of opportunity they perceive as a result of overstaffing.

It is particularly essential to recognize that the management pyramid narrows sharply at the top; that there are rarely more than six or eight positions to be filled and these only infrequently. The average tenure of a company president is nearly 12 years.

Hence, even when allowance is made for a 95 per cent mortality in ten years, not more than 100 trainees need be added by most companies over this period.

The key to the success of such a recruitment and development program usually lies more in the qualifications of those who administer it than in the sources from which the candidates are taken and the training they are given. Unusual care should be taken to obtain men of stature to make the selections, to provide them with tools and standards to guide them in their work and give them comprehensive training in their use. Many programs fail because they are run by men who can most readily be spared.

This is particularly significant since most people tend to select and develop others in their own image.

It is not always clearly understood that selection is prediction. When a candidate is offered a position, it is because someone has predicted that he will be successful. These predictions must be specific.

They must concern the probability that Joe Doakes, age 24, a business administration graduate, will remain and be happy and productive if employed and sent 200 miles from home to work under a crotchety old-timer who regards all college trainees as "crown princes." Since the company will spend a minimum of \$10,000 to recruit, select, place, train and compensate Mr. Doakes during his first year, the accuracy of these predictions becomes important.

Predictions of this nature involve many variables. In the job itself, they include such factors as technical requirements, working conditions, opportunities to advance, the quality and compatibility of supervision. In the candidate, the variables include his intelligence, experience, education, health, interests and motivations, personality, domestic situation.

If a candidate is to prove satisfactory, it is imperative that his qualifications match the requirements of the position which he is to fill. While a good match does not guarantee his success, a poor one almost automatically ensures that he will fail. Furthermore, this matching must take into account not only the demands of the initial job but the requirements of the highest position he can reach.

If these predictions are to be valid, it is important that the candidate be matched against the job in three contexts:

1. To what extent can he do the job? That is, does he have the skills, experience, intelligence, education, physical attributes which it may require? If he is deficient in any of these, he has little chance.

2. To what extent will he do the job? That is, does he possess such character and personality traits as vocational stability, industry, loyalty, perseverance, self-reliance, leadership, and emotional maturity?

3. To what extent will he be compatible with his immediate and subsequent superiors, meet their performance expectations, be acceptable to them personally and fall below the threshold of their tolerance for competition? Compatibility is particularly a prerequisite where the candidate is to report immediately to his superior.

To ensure a good match, the job specifications against which the candidate is to be measured must include a statement of:

1. The specific skills and technical competence required.

2. A measure of the degree to which the job is routine.

3. The extent to which the incumbent will be under pressure.

4. The extent to which he will be expected to work through others; and the number, qualifications and characteristics of those who are to be supervised.

5. The nature of the expectations and the management philosophies of superiors.

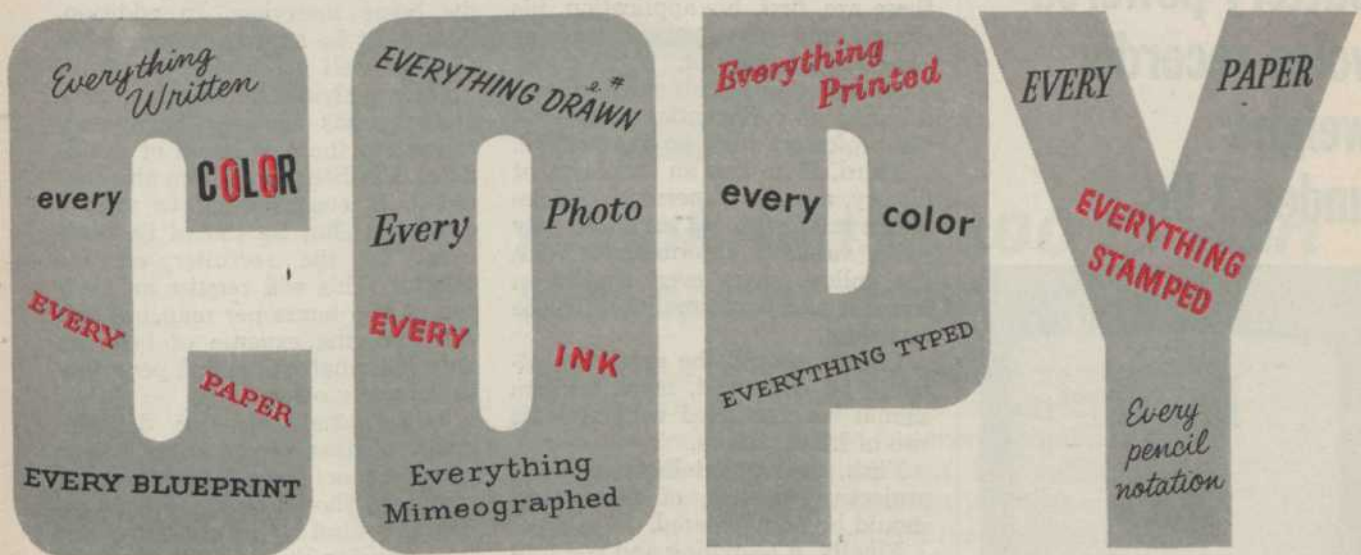
Once the specifications for the job have been established, it is necessary to obtain comprehensive facts about the candidate.

It is not sufficient to obtain a static cross section of his present qualifications. His entire life history must be reviewed, because one sound basis for predicting what a person will do in the future is what he has done in the past.

This means that facts about the candidate must be assembled from a wide variety of sources. Among

(continued on page 56)

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CAPABLE MEN

continued

these are, first, his application, his résumé and other papers, such as his college transcript.

Second, if he has attended college, a series of confidential talks with his professors may be informative.

Third, if he has an employment history, a series of personal or telephone talks with his superiors may yield valuable information. With the college man, even checks on summer and part-time jobs may be revealing.

Fourth, should the candidate already be employed, merit reviews should be conducted with at least two of his superiors.

Fifth, tests of intelligence and a projective measure of personality should be administered.

Finally, a searching and comprehensive interview should be conducted. Ideally, a written record is made of all pertinent data. This interview must cover in detail the individual's work record, his service experience, his schooling, his early home environment, his current domestic situation, his present financial status, his current social and civic activities and his health from infancy forward. If he is married, his home should be visited to obtain the attitudes of his wife and family toward him and toward the position for which he is being considered.

The level of his energy must likewise be determined. It is also necessary to ascertain his principal motivations, the extent to which they may already be satisfied independently of the job and the degree to which the position for which he is being considered offers opportunities for their satisfaction.

If potential problem cases are to be detected, the interviewer must be trained to note evidences of emotional immaturity and maladjustment as revealed in the data which have been gathered.

Techniques are now available which make it possible to recognize, recruit, select, place and train men with the potential to fill middle and top-level administrative positions satisfactorily.

If a management selection and development program is to be effective, it must be administered by competent personnel, preferably senior line executives with management experience at a reasonably high level. They must have been trained in the techniques of recruitment, screening, analysis of the application, telephone-reference checking,

appraisal of present employees, interviewing, the administration and interpretation of psychological tests and the conduct and evaluation of the home interview. In addition, they must be able to answer technical as well as routine questions.

No one should be sent to a campus who has not been completely trained in the evaluation of candidates. Furthermore, before any candidate is even invited to visit a company office he should be processed by the recruiter on the campus. This will require an average of two hours per man but this will save the expense of bringing only marginally qualified personnel to company offices.

Those candidates for development, whether recruited on college campuses or upgraded within the company, should be subjected to a final appraisal by a committee: The final decision should never be made by an individual because no one can be entirely objective.

Where possible, the committee should include one or more of the candidate's prospective supervisors. This will ensure that the supervisor is not only well acquainted with the trainee's qualifications, but will be personally compatible with him.

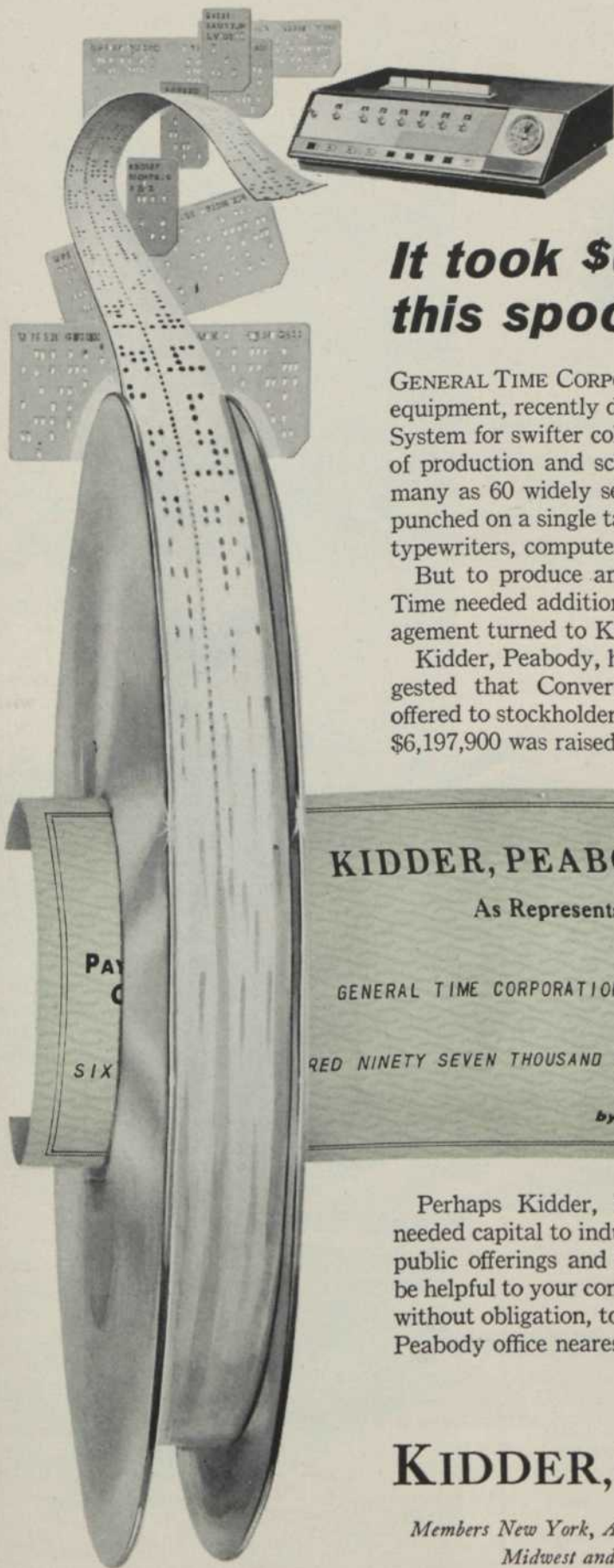
Finally, the new man must be properly placed so that, for example, he will not be subordinate to an incompatible superior. He must be trained in the special skills his work demands; he must know the scope of his duties, responsibilities and authority. His superior must give him a clear, concise statement of his (the superior's) expectations, and for the first year or two he must have a sponsor, a senior executive who is an instructor and supporter.

While potential entrepreneurs are not likely to be taken in as trainees, men with the qualifications for upper-level administrative positions will be. They must, therefore, be given opportunities for self-development, self-realization and recognition. (Without those they will almost certainly leave.) They must feel that they are making a positive contribution and that it is recognized and appreciated.

If these principles are adhered to, failures will be negligible and an efficient, cooperative, well integrated staff can be built and maintained.

—ROBERT N. MCMURRY

REPRINTS of "How to Pick Capable Men" may be obtained for 10 cents each and \$7.00 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.



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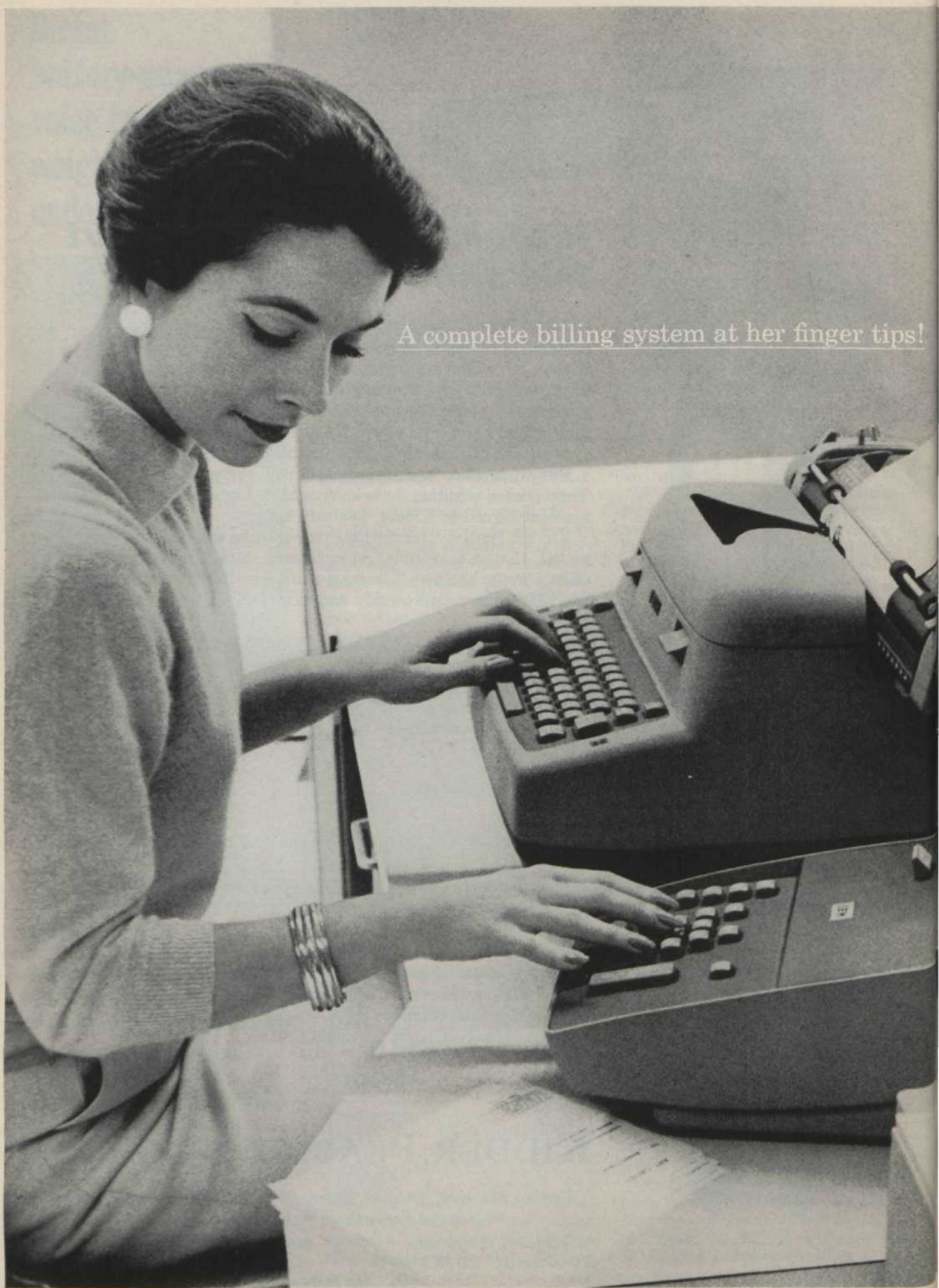
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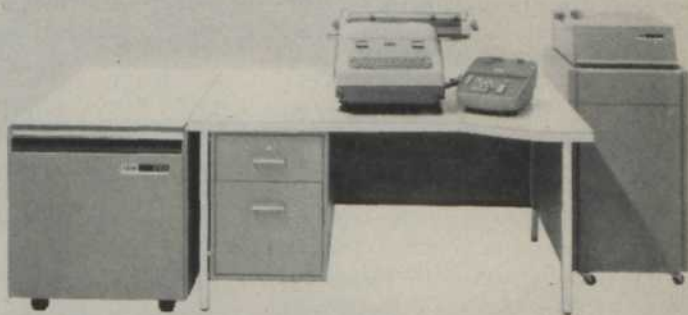


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CONTROVERSY

continued from page 39

from a speech by a union official?

"The profiteers and monopolists are brazenly setting policies which enhance the power of the financiers. . . . They want to impose fascism upon the people in order to extract greater profits."

Opposition attacks can be restrained or violent, factual or emotional, publicly stated or spread in a whispering campaign. The more you know about these attacks, the better armed you will be to communicate the management viewpoint effectively. Managers should be avid readers of union periodicals.

Expose opposition falsehood

It is difficult to call a man a liar in print. But, in the interests of truth and clarity, it sometimes is necessary to be this blunt. If truth is on your side, and the facts unassailably support your point of view, then blunt statements to the effect that your opposition is incompetent or untruthful can be effective.

When an institution remains silent in the face of constant smears and untruths about its actions and intentions, many people may come to believe the charges. A university study of factors that influence attitudes was summed up:

"From the moment a major untruth is aimed at an institution, it must be attacked vigorously and exposed as false. If allowed to go unchallenged, in a short time it is likely to be accepted as the truth."

The president of a small textile company recognized this principle with this public statement in answer to charges made during a strike:

"The claim that working conditions are unsafe in our plant is a deliberate lie, as our good record and frequent inspections prove. Charges of this kind are simply attempts to stir up public sympathy for this unwise, unpopular strike."

Remember the value of repetition

"There's no point in going into that again; we communicated on it last year" could be last words of an unthinking manager. People often forget what they read or hear.

Retention of important messages is aided by repetition. Then, too, employee turnover brings a constant change in the work force. These are persuasive reasons for presenting and re-presenting information or opinion which is vital to employee reaction to a controversial situation.

One company did a blitz commu-

nication job of interpreting the reasons why wages in its industry could not be expected to match the pay scales in steel and automobiles. Meetings were held, articles were written for employee publications, and the issue was discussed in a letter to employees. The arguments were logical and well presented, and management was pleased with the degree of employee understanding.

About 18 months later the United Automobile Workers threw pickets around the plant and shut it down for many weeks. The union's strike objective? Automobile industry wages for the workers.

Commented a company official: "We were surprised that our employees would support a strike on this issue. We thought our earlier educational campaign was sufficient. I guess the people forgot the facts, or else they were persuaded to change their minds. We should have kept hammering away, instead of putting our confidence in the one big effort a year and a half ago."

Avoid seeming funny, slick, or "infallible"

Certain events are controversial because they profoundly affect people. In such a situation there is little room for humor or the slick approach. A strike, a layoff, a price change, a political issue or a union

Prominent educator tells
how "New methods will
improve business skills."

For his analysis of
important changes in
training programs turn
back to page 36

organizing drive—these events have far-reaching consequences for employees. Treating them with levity will seldom win friends.

You should also avoid leaving the impression of infallibility. Occasional evidence to the contrary notwithstanding, managers are human, too, and employees know it. Note the tone of this excerpt on the controversial subject of employee pay, as it appeared in the Thompson Products *Friendly Forum*:

"Wage-setting is not an exact science. There will always be personal opinion that the rate for a given job is either too high or too low. None-

theless, we do the best we can to be fair. And let no one think for a moment that Thompson wages are only average. Actually, they stand with the best in the community, and it's our hope always to keep them so."

Use emotional appeals

One of the biggest disadvantages that management spokesmen appear to suffer, when it comes to controversial communication, is unwillingness (or inability) to use effective emotional appeals. Facts are important, and no persuasive communication should be presented unless it reflects a sound position, supported by facts. But experience shows that the most effective mass communication is a skillful blend of facts and emotional appeal.

Unions usually make far greater use of emotional appeals than does management. An example is the contrast in management and union treatment of a large company's annual report statement of last spring.

From the company's employee magazine:

"On sales of slightly more than \$976 million last year, the company earned a profit before taxes of slightly under \$88 million and a profit after taxes of slightly more than \$42 million. The outlook for next year remains uncertain in the light of rising costs for labor and materials."

Commented the union newspaper:

"The annual gobbledygook of company figures has been released. Translated, that \$88 million profit figure is skin off your hides. It works out to an average of more than \$5,000 per employee."

"Watch what happens when we ask for a wage increase. Management will answer our pleas for a little more bread on the worker's table with screams of pain and anguish."

Ask for action

One of the most frequent errors in communication on controversy is to assume that a mere recital of facts will make your conclusion perfectly obvious. You are dealing with readers whose interest in the subject and loyalty to the company range from one extreme (none at all) to the other (intense personal involvement). So state the management conclusion in unmistakable terms.

Recently the manager of a small midwestern plant, well liked by his employees, was faced with a union representation election. He wrote a letter to employees which merely told them of the pending election



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CONTROVERSY

continued

and stressed that it was up to them to decide.

He felt certain there was enough between the lines to show that he thought union organization was unwise for both the employees and the business.

The union won the election in a close vote. The manager later discovered that the union organizer had quoted his letter as proof that management really wanted the employees to vote for the union but didn't want to apply any pressure.

"Ask for the order" is an old marketing principle which has relevance here. Decide what specific action you think is desirable and then ask for it. Too much reliance on subtlety is ineffective and can boomerang where controversial issues are concerned.

Help supervisors

Good oral communication between supervisors and other employees is important if the presentation of management views on hot issues is going to be effective. But it is becoming increasingly apparent that these person-to-person efforts must be bolstered by effective written communication.

Oral communication often is too slow, and too open to distortion as it passes from person to person. Then, too, most controversial issues are complex, and there is frequently a tendency to overestimate the supervisor's opportunity, inclination, and capacity to interpret key issues to employees.

It is helpful to give supervisors a written summary of the company position as a guide for their talks with employees. It also helps to back up their efforts with a straightforward statement in the employee publication or some other direct-to-employee written media. Here is an example from the *General Electric News* at Louisville of a forthright statement which backed what foremen were telling employees:

"The strike now seems inevitable unless employees themselves can bring the combined strength of their opinions into clear focus for their union officials.

"You owe it to yourself and to your family to face the issue squarely. With nothing to gain, can you justify making the tremendous sacrifices required in order to let your union officials carry out their vain attempt to force the company to go back on its contractual and moral

obligations and adopt a practice of promoting qualified employees solely on the basis of seniority, regardless of their relative ability?"

Identify your good deeds and intentions

Opponents of the management point of view often ignore the merits or facts of a particular controversy and vigorously attack the motives of management. This is usually pure demagoguery, but as a technique of controversy it has frequently been successful. So, in speaking up on a controversial issue remind the audience of your good motives.

It is also necessary to remind people of the good deeds which have characterized company behavior in the past. The company that does not actively and aggressively interpret its good deeds and good intentions may fail to reap the understanding and good will it deserves.

Widespread failure of management to interpret its past performance is perhaps responsible for the disheartening results of an extensive employee opinion survey conducted a few years ago by the Opinion Research Corporation.

One question was: "Which would you say has done most to improve living standards in this country—union leaders, business leaders or government leaders?"

Forty-seven per cent of the votes went to union leaders. Business and government leaders each received only 18 per cent.

Management at the Stanley Works in New Britain, Conn., for example, commented on company achievements in the employee publication, *The Stanley World*, as follows:

"Creating new jobs is a full-time job in itself, and it goes hand in hand with creating new and better products which our customers will buy. . . . Creating thousands of jobs over the years at Stanley is . . . the result of long-range planning and good business judgment right here in your company."

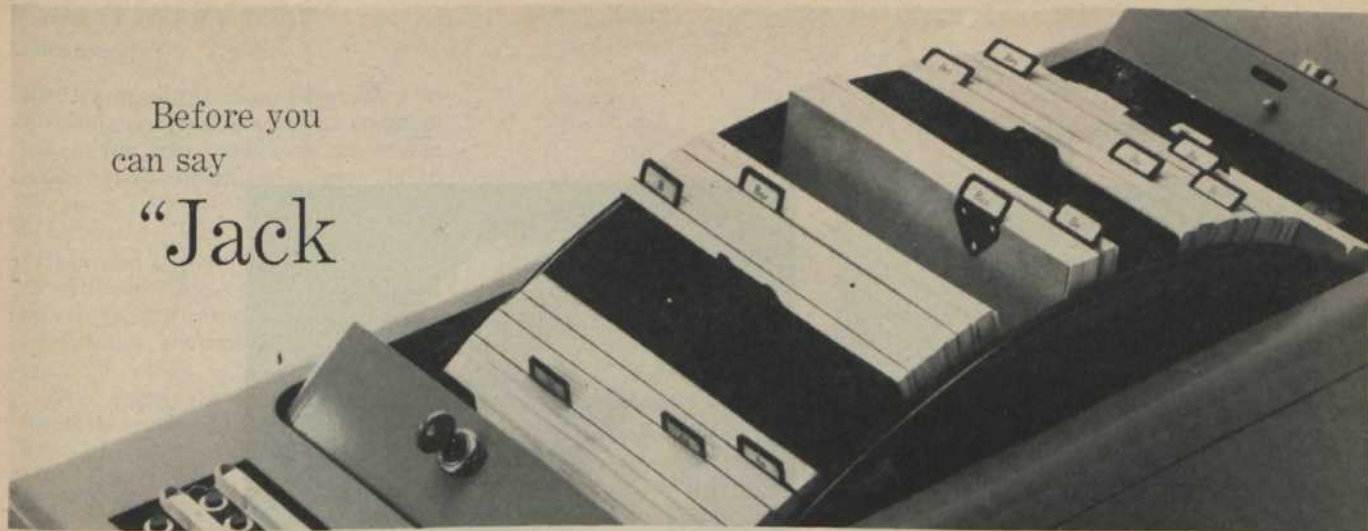
Listen for feedback

Your job of communicating on controversy is only partially done when the messages are prepared and disseminated. You must then get reasonably accurate answers to such questions as: How did the audience react? Was the intended purpose accomplished? Did people understand our stand? Do they support us or oppose us?

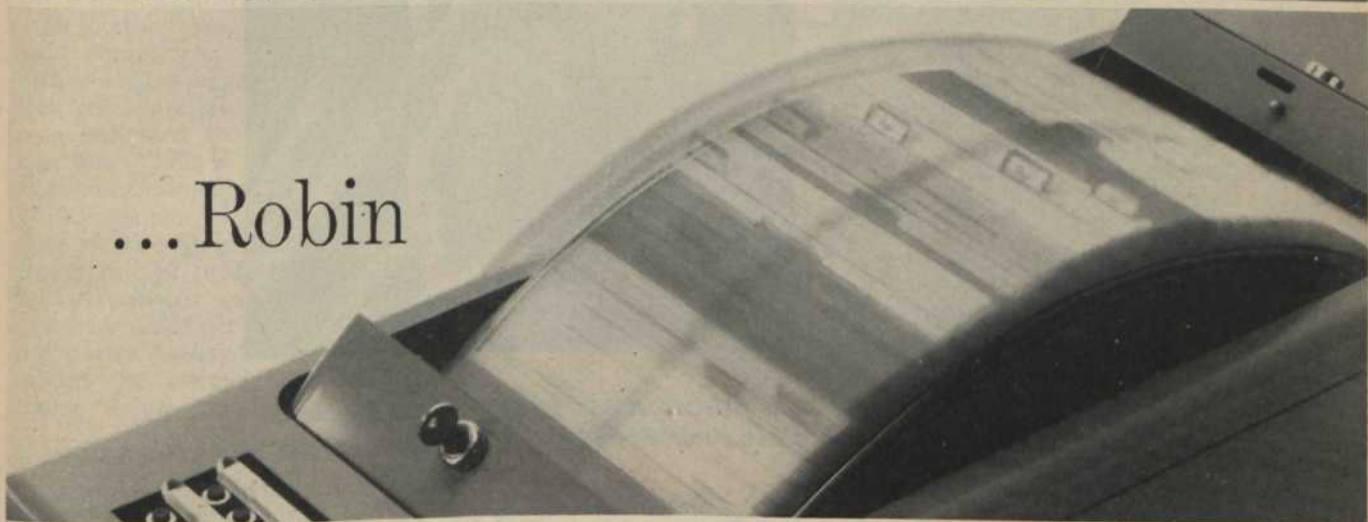
Getting accurate feedback is the toughest of all communication jobs. It is essential, however, if down-

Before you
can say

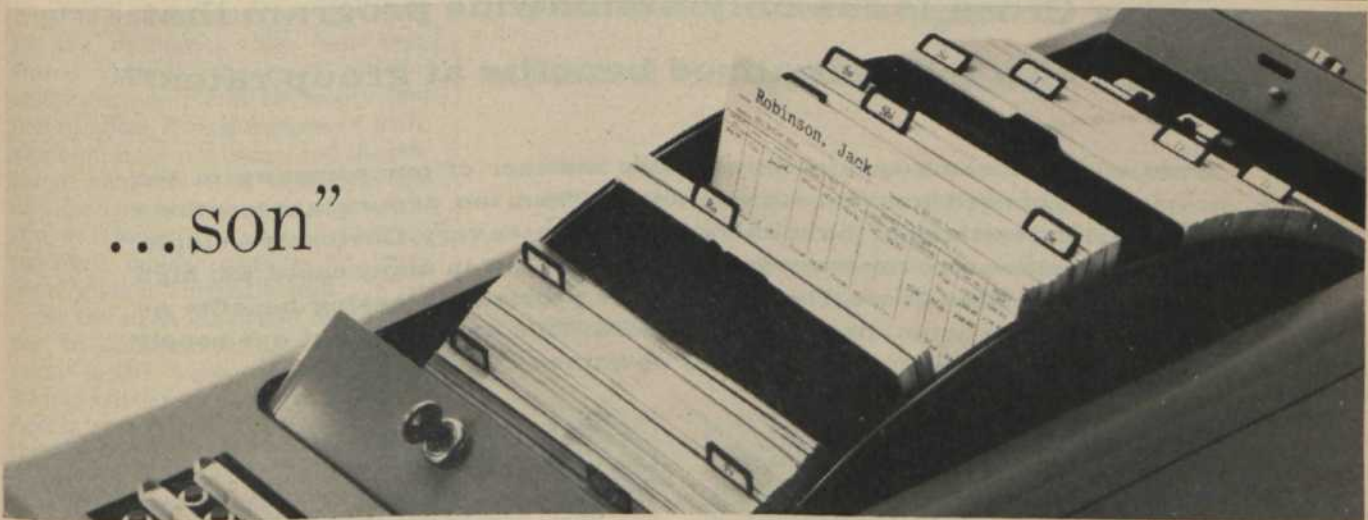
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CONTROVERSY

continued

ward communication efforts are to be properly evaluated. The requirements for good feedback are better supervisory listening (See "Help Workers' Views Come Through," *NATION'S BUSINESS*, January 1960) and more effective utilization of attitude surveys, question boxes, meetings with employees, and other traditional methods of measuring employee views.

One company substantially altered its communication on the subject of white-collar organization after supervisors reported: "Our stuff is too shrill; employees think we're running scared."

In another example, a New England concern launched a communication effort on improving production efficiency. Reports from foremen indicated that employee reaction was: "This is the beginning of a speedup campaign."

The company was aiming to reduce waste and spoilage, not to increase rate of production. But the initial feedback was heeded. Management tossed out the remainder of the neatly packaged program, and rebuilt the campaign around the theme "Improving Job Security."

Creditability is essential

There is no magic in communication which will dispel employee distrust of an employer. All the words in the dictionary, the best emotional appeals, the most rational arguments—all will be empty and meaningless if past actions of management have not convinced the employee that his own best interests are the constant concern of his employer. Generally speaking, past experience molds opinions far more than what is currently said.

So the most important single factor in communicating on controversy is the degree of creditability which exists for management in the hearts and minds of the employee or public audience. To be creditable is to be deserving of praise or esteem, and such a standing is usually attained only when the bulk of management's actions are (and are perceived to be) conscientiously devoted to the best interests of all.

—C. J. DOVER

REPRINTS of "What to Do When Controversy Comes" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance with order.



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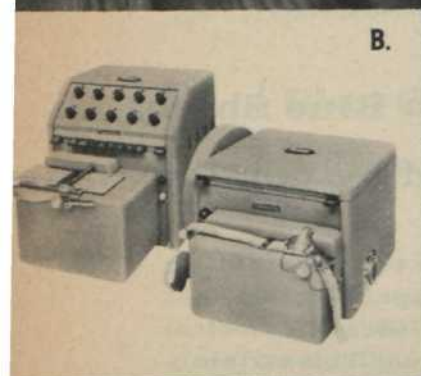
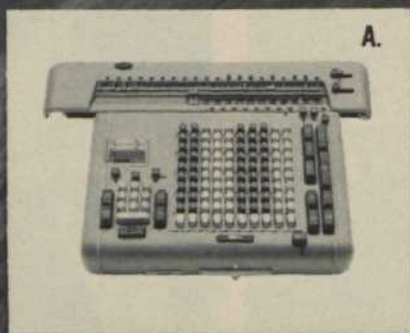
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problems similar to yours. His help can be invaluable.

That is "phase one" of your program. Next, you need equipment. Practical equipment, which can be used by your present personnel without special training; equipment which is sanely priced, easy to install. And, above all, equipment which is expandable with your business. But with so many business machines available today, it's hard to choose a particular one or combination of them which would be most practical for you.

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can be programmed to select specific items in invoicing, names and addresses, any of scores of specified item data.

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F. Friden ADD-PUNCH® (Model APT)—Outstanding example of punched tape accounting efficiency. Lists figures and totals

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These are a few of the amazing machines Friden offers the world of business to increase general office efficiency. PractiMation, you'll find, can work for your company too. In Friden's file there probably is a proven answer to the specific problem of your office. For information call your local Friden office or write to Friden, Inc., San Leandro, Calif.

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5

AIDS TO OVERSEAS SALES

These guidelines will help you
cut risks of operating abroad

THE PERSPECTIVE of the alert business manager is rapidly becoming worldwide.

Evidence of this is the growing number of companies, large and small, which are investigating business opportunities in foreign countries. Some see this primarily as a means of increasing volume and profits for the domestic operation. Others are packing up machinery, know-how and personnel and planting a virtually independent offspring of the parent corporation on foreign soil.

Whatever the motivation, it is clear that there are opportunities overseas for the right company, operating in the proper markets and conducting itself in an acceptable fashion. But the opposite is also true. Foreign operations can become a morass of uncertainty, frustration and failure if not properly undertaken. Five points can help you decide whether to operate overseas.

- ▶ The profitability of a foreign operation.
- ▶ Hazards overseas.
- ▶ Neglected opportunities in your foreign undertaking.
- ▶ Organizing for foreign operations.
- ▶ Staffing the overseas enterprise.

Can you profit?

The first questions a company must settle before it invests in a foreign operation are: Why are we leaving home? What do we expect

to gain from operating in a foreign country? The lure of a strange environment, the opportunity to travel, or the desire to extend the benefits of democracy abroad are often subconscious motivators. But these are not enough. The basic question for a businessman is: Will the capital we invest in a foreign operation bring better returns than is possible in the United States?

A sound answer to these vital questions may be difficult to find. Valid market data are hard to come by and study of consumer demand is embryonic in many foreign markets. As a result, it is easy to let the decision be influenced by the obvious absence of local competition or what looks like avid demand for company products. Stories of lush profits made by somebody else are always prevalent and may add an air of immediacy and hurry to what should be careful study.

The basic decision should rest on analysis of alternative opportunities. Remember that if you do invest money, time and effort overseas, you won't have those same resources to put behind research, plant improvements or promotion in the United States.

Assuming you have already assessed your domestic situation, a first move is to determine whether demand exists or can be created for your products in the overseas market areas you have selected.

To operate successfully in a for-

eign country, you will have to know at least as much as your competitors do about its economy, politics, people and sociology. Only a small part of the information you need will come from source books and government reports. The best source of valid data is from people on the scene. You may want to use your own people or a United States consulting firm with an overseas branch. You may use a local research group.

Whichever approach you follow, make sure your researchers know the country, have a precise knowledge of your operating requirements and can evaluate their facts in terms of your interests.

What kind of information do you need in making up your mind whether to do business in a foreign country? First comes the need for a broad market study to determine probable product demand. Here you will find that there is little carry-over of market research data you have accumulated in the United States. Local customs and habits differ too widely.

Internal statistics may be lacking, business methods will be at variance, and the reasons why people buy in Uganda or Ecuador may be quite different from the motivations in Boston or Keokuk.

In making your study, get information on long-term economic trends. Chances are you will find few sources of organized economic data, such as the Federal Reserve

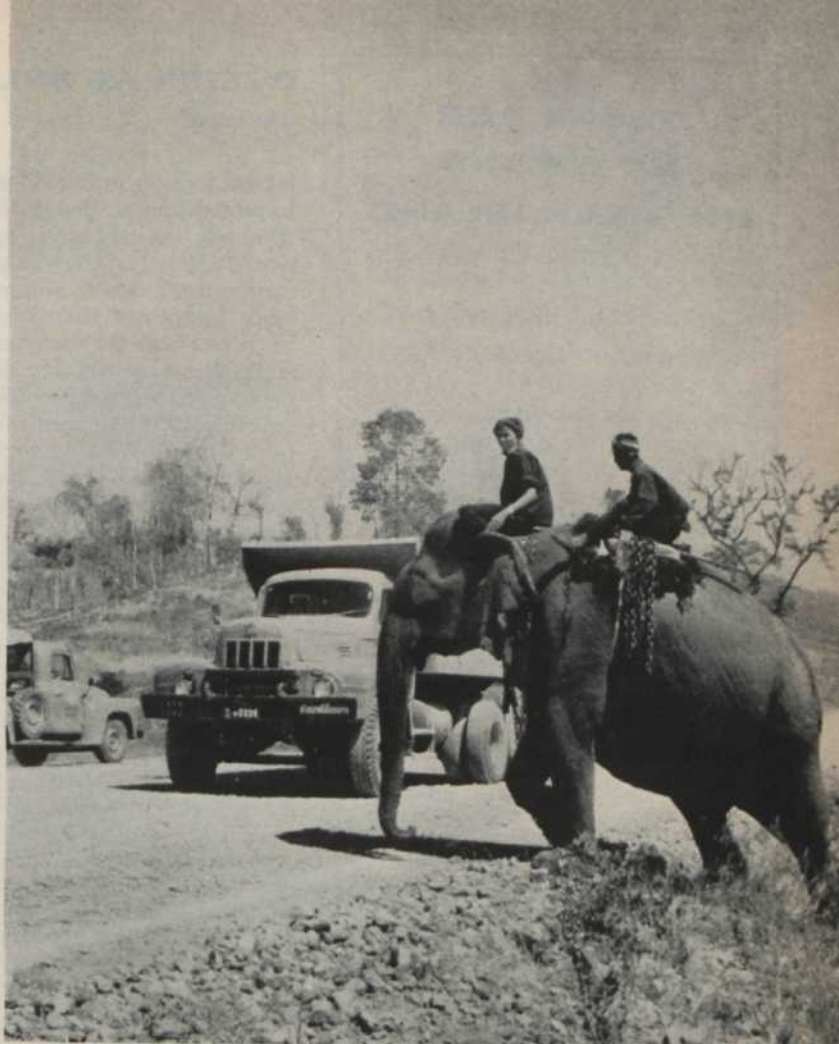
Board index of industrial production, with which you are familiar in the United States. Your best approach is to develop your own economic indicators. First, accumulate data as far back as possible on aggregate national income. Use this to establish a trend.

Then project it over the long term to obtain an insight into probable purchasing power in the markets you will enter.

Next, determine the probable real demand for products imported from the United States by studying the availability of dollars. To help you decide what share of these available dollars may be spent for United States goods, including your own, look at the over-all picture of commercial imports from the United States.

The specific indicators you use to measure local market potential will depend upon the nature of your product. The Champion Spark Plug Company, for example, finds the task relatively simple because it can base its estimate of demand for spark plugs on such things as car and truck registration, utilization of motorized farm equipment, number of tractors, and road mileage in use. Whatever your approach, in determining demand you will want to assess carefully the competitive picture.

What is the existing supply pattern? Are similar products manufactured locally and can they run



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OVERSEAS SALES

continued

for protection under an umbrella of import duties or licenses? Will your product be able to compete in price? Here a knowledge of your competitor's cost factors is even more important than his price list. Find out how he merchandises and sells. What advertising does he pay for? What service facilities does he subsidize? What credit terms does he extend? What salary or commission does he pay his distributors? You will find it necessary to meet these costs.

But just as good is not good enough. Find the weak points in competitive products, sales approach and merchandising upon which you can improve. Here is the crack in the door that will let you into the foreign market. But before forcing yourself through, be sure to calculate the costs necessary to give you the competitive edge you need.

The Hoover Company characterizes this businesslike approach. A veteran of 40 years' foreign operation, with sales in approximately 100 countries, Hoover approaches each new market it contemplates entering warily. Perhaps the company is considering export of steam irons to North India. Before spending money on research, the company carefully defines the objectives it is trying to reach and what information it requires.

To get an objective picture, carefully interpreted in terms of local requirements, Hoover frequently uses an outside research organization which works in close collaboration with Hoover's marketing executives. The survey results form the basis for final decision.

Where to get help. The National Industrial Conference Board's Studies in Business Policies No. 75, "Researching Foreign Markets," is an excellent guide, with comprehensive listing of sources. Another valuable source of information is "Foreign Commerce Handbook," available from the U. S. Chamber of Commerce. The Bureau of Foreign Commerce, U. S. Department of Commerce, and the appropriate government agency of the country in which you are interested are the best direct sources.

Hazards overseas

While the United States businessman may earn a substantial profit from his operations in Brazil or Thailand, or a hundred other countries, he can also lose his shirt with

remarkable ease. The best way to avoid the more common pitfalls is to identify them in advance and plan appropriate strategy. Three hazards you should watch are distributors, prices and costs.

Distributors. Your foreign agent can be the key to your success or the prime cause of failure. For reasons of distance, politics and language he is probably the one vital element over which you have least control. You may be selling through an aggressive dealer organization in the United States. But you may find that your agents in Durban or Lima are handling 40 to 200 products on an exclusive basis for companies from West Germany, Japan and other countries. To capture the share of market your studies tell you is feasible, you will have to develop a means of making your product known to your agent, provide him with the merchandising tools he needs to promote, sell and service your market.

To help your agent sell, you must understand his problems. They will be different from those in the United States. Try to put yourself in his shoes. If you can, work with him personally or through a representative for a few days. Standing on his sales floor and talking to his customers will give you an entirely different perspective. Determine what you can do to help train his sales people to promote your product. What sales and technical data can you provide for their use? How should you adapt your advertising and sales promotion materials to fit his needs? Make a few calls with him. Once you understand his problems in all their ramifications you will best be able to help him serve you.

Prices. The pricing structure you develop for your product can quickly become the graveyard for your foreign effort. The chances are that you will enjoy an opportunity profit at the first introduction of your line. This is probably why you went into the country. You will have a new product, be ahead of competition in style or service, or introduce new merchandising tactics.

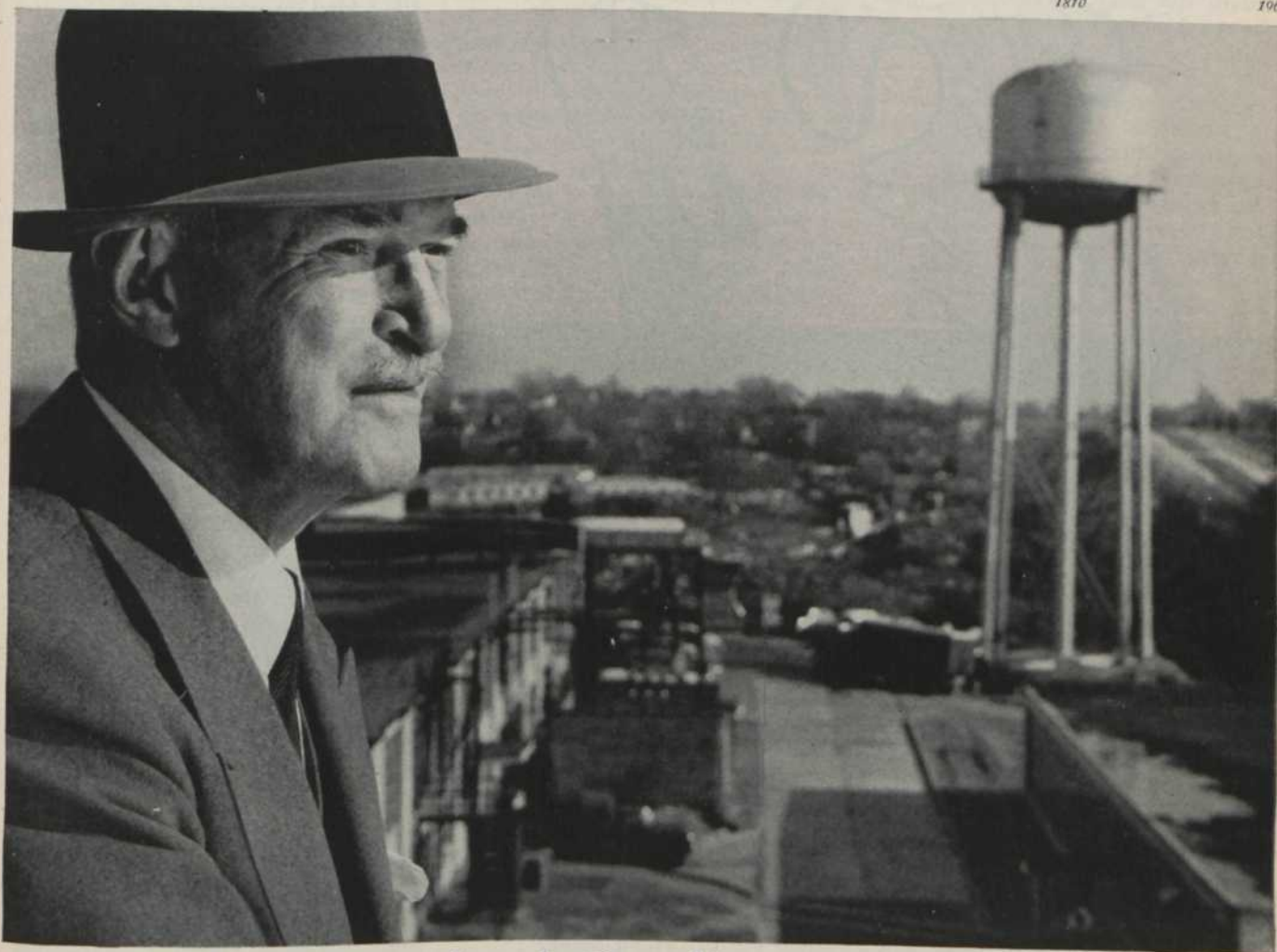
But after this first success, you are likely to find that your competition is capable of meeting whatever you offer.

Your prices are likely to be relatively high because costs of United States firms are pegged to the highest standard of living in the world. Consequently, you will probably find that local manufacturers and exporters from other countries can

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OVERSEAS SALES

continued

undercut your prices once they get into stride.

This fact of life will probably induce you to manufacture overseas as soon as your export operation becomes large enough to warrant the added investment. In the meantime, your basic means of lowering prices is to cut costs.

Costs. Keep in mind that your export product begins accumulating added costs long before it leaves the United States. There is added administrative and processing expense, modification of product or packaging for export, and special packing and handling. Usually your accounts receivable are tied up longer than is true in domestic operations. You stand this financing cost whether you calculate it or not. Getting the goods from the point of production to the point of sale can be expensive. Some companies find that they have as much as three months' sales tied up in goods being packed, awaiting shipment, and in transit.

The nature of your costs will vary with your product. The important consideration is that you must have a system for rigorously examining and evaluating each cost item before you spend the money if you are to have sound cost control. The organizational device upon which you should build your cost-reduction program is the profit center. Once you have this set up, sound planning and control will lever your cost-reduction efforts.

Your basic approach is to establish the export operation as a profit and loss center. Treat it as a small business in its own right. This means that the export department should buy its product from the production department at a negotiated price, competitive with outside sources of supply. Internal staff and administrative services vital to the operation of the export department should, almost literally, be bought from the functional departments and charged to export on an equitable, allocated basis.

When the export manager is made accountable in this fashion, he should be rewarded in terms of his success in running his business. An incentive or bonus plan will keep his attention geared to growth and profits, the essential criteria of success.

How does the profit-center approach encourage low-cost operation? The answer lies in the fact

that you can't establish your profit center and hold your export manager accountable unless you first provide him with the administrative tools he needs to manage his operations effectively. These same administrative tools are also the best means of ensuring lowest costs and maximum profits.

To begin, get the full participation of export management in establishing measurable objectives for volume, share of market and profits for each line. Program the specific activities necessary to reach those objectives. Then budget the money it will require for people, materials, facilities and equipment. These are your yardsticks.

Make sure reporting of your foreign activities is accurate, fast, and detailed. If you hold the export manager accountable for taking

prompt corrective action on cost and operating variances, you will have a system that will give you effective cost controls.

Neglected opportunities

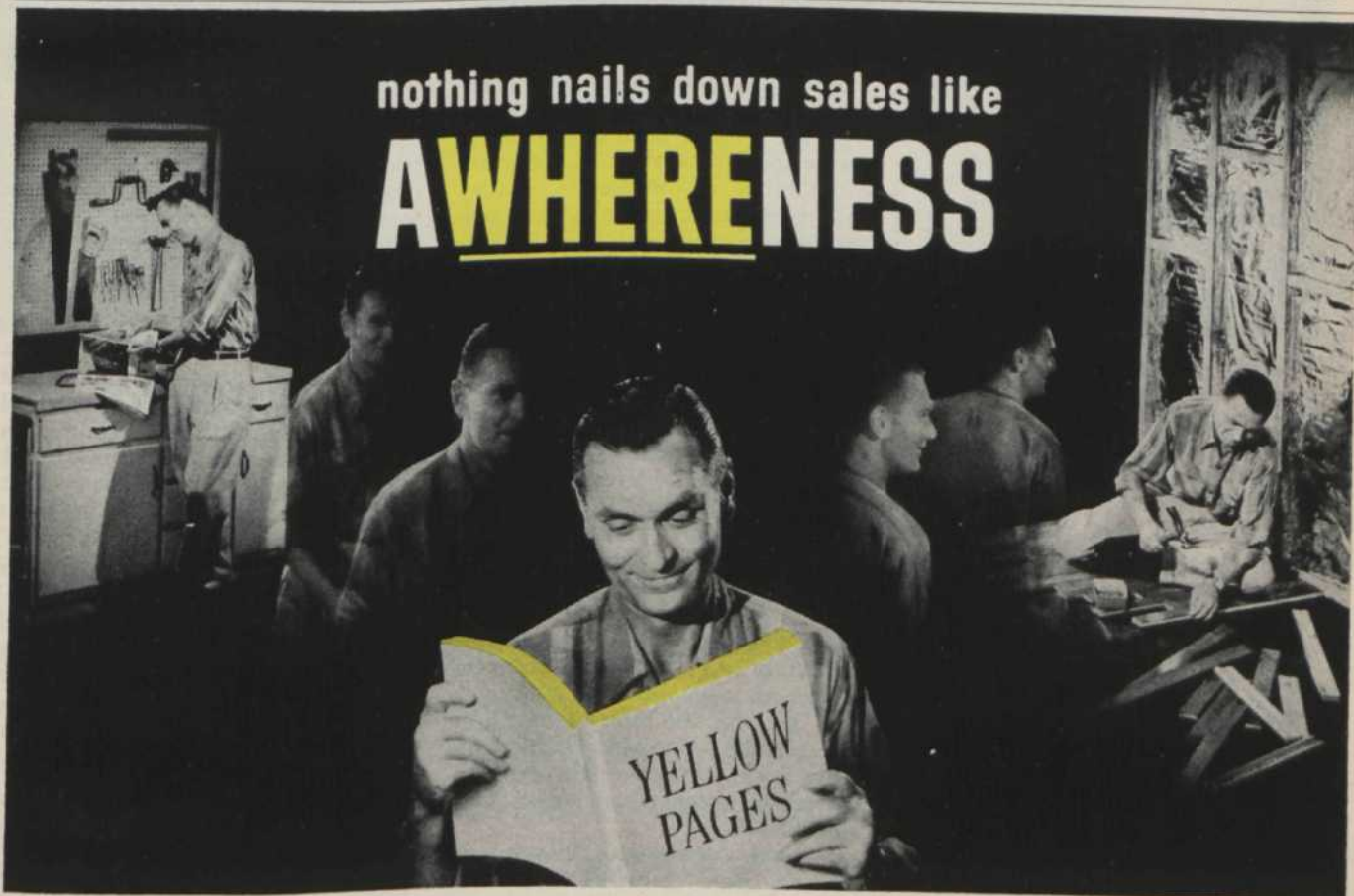
One of the greatest potential hazards to anticipate is that your foreign operation won't get the attention it needs. The overseas business often becomes a stepchild because of two factors. For one, management practices in the countries in which you operate may be poor, hence there is little incentive to toe the mark administratively. Keep in mind, however, that local businessmen are usually eager to learn; you can make a much-appreciated contribution by showing them how to manage better. Remember also that competition is pyramiding. Other companies in Japan, West Germany,

Britain, or other countries, as well as in the United States, may quietly be assessing the same markets in which you are doing business.

A second reason for poor management is the tendency to relegate the foreign business to an orphan status because of geographical separation. Top management and corporate staff heads, intensely concerned with problems popping up under their noses, find little time for overseas needs. This is particularly true of the president. After the first enthusiasm has passed, he may pay little attention to the operation.

However, when both domestic and foreign interests are at issue, only the president can arrive at balanced decisions which have in mind the over-all interests of the corporation. If he does not show an active concern, the foreign aspects are

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OVERSEAS SALES

continued

likely to get the short end of the stick.

Finally, the profit status of the foreign business may be somewhat nebulous. This often occurs because of accounting practices and not by conscious intent. At issue is the question of whether to show overseas profits in the consolidated statement of the domestic corporation.

Some companies call a "profit" a profit only when the overseas earnings are converted into dollars and deposited in a United States bank. However, large sums may still be at work for the corporation in building up trade and bolstering the company's position. The answer lies in a clear-cut policy on foreign earnings and just as clear financial reporting.

Line and staff heads tend to relate the amount of time and effort they are willing to devote to international operations to the apparent profitability of the results. If they fully understand the company's policy on reporting and have a clear picture of what is really happening, they are much more likely to push hard for overseas development.

Organizing

If your enterprise is small, or if this is your first move overseas, you probably will start by exporting. Sooner or later, however, you will find that if you are to continue to grow successfully you must change your form of organization. Two pressures tend to force this change. Import restrictions may be tightened so you can no longer ship profitably to your overseas markets. Your own success may in part cause this, because the more successfully you sell in a foreign country, the more local pressure will be generated to protect or subsidize local enterprises.

Second, competitors, either local or from other countries, are likely to operate at a cost advantage and they can be expected to match whatever technological or merchandising superiority you introduce. The prime alternatives in reorganizing are to operate through a foreign subsidiary or by licensing.

The subsidiary. Many companies have found that the best way to put down roots and develop friendly relationships overseas is to operate through a foreign subsidiary. They find that this gives them greatest opportunity to identify with na-

tional interests and aspirations and to meet competition on the most favorable terms. There are many direct financial advantages, also. The income of your foreign subsidiary is not taxable in the United States, and you may also enjoy certain tax credits on the taxes you pay to foreign countries.

A subsidiary operation enables you to start with a small capital investment. You can then reinvest your earnings and, since domestic taxes in many foreign countries are lower than those in the United States, you can build up your business much faster than through a United States corporation. Your investment in a foreign subsidiary gives you more options in the disposition of your foreign earnings, so that you have greater control in determining whether to broaden your base overseas or improve payout to the parent corporation and its stockholders.

The greatest hurdle to overcome in organizing a foreign subsidiary is finding the proper man to run the business. Whenever possible, the president should be a citizen of the foreign country; however, his ability as a manager outweighs all other considerations.

Once properly staffed, the subsidiary should aim for manufacturing and marketing standards at least comparable to those of the United States. Here again, substandard local conditions may encourage a sloppy approach, but it is almost invariably true that the very best the company has to offer is the least investment it can afford to make.

Licensing. You may find that you can best establish yourself in foreign markets by licensing local firms to manufacture and market your products. Clark Equipment Co., for example, licenses Toyo Umpanki Co., Ltd., to build Clark's construction machinery and industrial trucks in Japan. Richardson Scale Co. shifted from straight export to licensing of local companies in South America, Africa, and Europe. Westinghouse does a good share of its foreign business through licensing. Licensing is a particularly good alternative for the small company when the capital commitment necessary to build plant and establish a sales force is prohibitive. Instead of investing capital, a company invests its know-how and can earn handsome returns as a result.

In licensing a foreign firm, the United States company enters into an agreement which usually involves patent rights, trademarks, and definite provision for teaching



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OVERSEAS SALES

continued

the licensee how to make, merchandise, and sell the product. This can be an excellent arrangement in countries where the governments are antagonistic to foreign operations or where trade barriers block foreign firms.

Looked at one way, it is true the United States company dedicates itself to building a strong potential competitor. However, properly prepared, the licensing agreement can provide for this by specifying how and where both proprietary interests and know-how can be used.

One large electrical manufacturer, for example, draws its licensees into the family circle by leasing its trademark and know-how for a limited time. It sets bounds within which the foreign company must operate, but builds loyalty, as well as dependence, through new patented products and processes it can promise through its research programs.

The licensing arrangement can fail and even cost you money unless you have competent counsel in drawing it up. Be sure you reserve the right to inspect operations and accounts to protect your interests.

In their concern over patent and manufacturing rights, many companies overlook the equally important need for marketing controls. Here it is important to provide satisfactory standards in promotion, merchandising, and sales.

Staffing

The best answer to staffing the overseas enterprise is to use as many local personnel as possible. Nothing will open doors so quickly or elicit a favorable press and community reaction as to have local men representing your company.

The Bata Shoe Company, for example, fast-growing Ontario-based leader in footwear, sells almost 90 per cent of its total volume in foreign countries. As a matter of policy, Bata develops men of local origin for executive positions. These men are given wide training and experience in sound operation and administration, then returned to home base to become leaders in enlightened management and in helping to integrate and reconcile the company's interests with those of the national community.

Often it is necessary to send United States personnel overseas. This poses, first, a difficult selection problem. Where a family is involved, the problems of unfamiliar-

ity, school, sanitation, and monotony may become intolerable in that order.

You'll have to interview both husband and wife. Find out why they want to go abroad. Is it only the 25 per cent premium pay? This isn't enough. Make sure your overseas candidates are really interested in the country.

The right man will learn the language. He will speak and think in it. While not abandoning his American cultural background, he will quickly learn to work with his new acquaintances on their own

terms. This requires humility, understanding, and a high order of social intelligence. Given these prerequisites, an executive can quickly make an outstanding contribution to company success—whether in Bangkok or New York.

—LOUIS A. ALLEN

REPRINTS of "Five Aids to Overseas Sales" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance with order.

Business needs diplomats overseas

BUSINESSMEN preparing for overseas operations are going back to college in increasing numbers.

They are learning not only how to make and perpetuate large earnings abroad, but also what business diplomats must do to keep from embarrassing themselves and their employers in foreign lands.

At such universities as Syracuse, American in Washington, D. C.; Princeton, Cornell, Stanford, Harvard, Southern California, Virginia and New York, industry is getting the answers it needs.

The Maxwell Graduate School at Syracuse—one of the first to recognize this growing industrial need—started digging into the problem about five years ago.

The most difficult task is developing men who have organizational ability and the quality of getting along with people of other countries and winning their respect. It is here that universities can offer the greatest help. Each summer Syracuse conducts an overseas training institute for business, government and

foundation executives and missionary leaders.

For its faculty, Syracuse draws heavily on the experience of key men from firms which pioneered in foreign operations.

While overseas courses conducted by other universities are similar to those at Syracuse, several new approaches to training are beginning to develop. Chief among these is the tailor-made type of education.

The Champion Paper & Fibre Company took to New York University the problem of training a handful of managers and 25 technicians for service at its new plant near Campinas, Brazil.

It asked for education tailored specifically to meet the needs of the company. Champion had queried scores of company executives with many years of experience in Latin America. All agreed that the companies which enjoy the greatest success are those which give their employees most preparation for life overseas.

—JOHN GARRITY

Some companies send their managers, technicians, and even wives and children, to schools where they learn the customs of people with whom they will be living



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ETHIOPIAN AIRLINES
THE WONDERLAND ROUTE

FEDERAL CONTROLS

continued from page 33

Means Committee readily agree that the idea of compulsory health insurance—which until recently had little hope of getting out of the Ways and Means Committee—now is gaining momentum.

Still another push has been given the health insurance proposal by the Antitrust and Monopoly Subcommittee investigation headed by Sen. Estes Kefauver, Democrat of Tennessee, into the price of drugs.

The stated aim of the investigation has been to find out if drugs cost too much and if there is real competition among big companies in the drug field. The probe was part of the subcommittee's two-year study of what it calls administered prices—prices set by administrative decision more than supply and demand factors.

But since a disproportionate number of medicine users are elderly people, drug costs are, to a large degree, old-age costs. So the Kefauver probe dovetailed neatly with other pressures for federal health outlays.

Although about one person in eight spent time in a hospital in the past year and U. S. citizens on the average spent close to \$100 a person for medical care, private insurance companies are recognizing and increasingly meeting the demand.

Americans paid 1,200 insurance organizations \$5.9 billion for protection against illness and injury over the past year, according to the Health Insurance Institute. Many of the aged are covered, too. By the end of 1965, it is estimated that 80 per cent of the elderly who want and need insurance will be insured, unless the federal government gets into the business.

Opponents of compulsory federal insurance point out that the Forand bill would deny social security beneficiaries freedom of choice in the use of social security payments by specifying how part of the money will be spent.

The bill would include about 1.6 million persons who are 65 or over but who are still working and able to buy their own insurance if they want it. Such an extension of social security would cost more in taxes on individuals and employers, would undoubtedly discourage both private initiative and local and state programs in this area, and would not protect all the elderly but only those eligible for social security.

Dr. Louis Orr, president of the

American Medical Association, has said the Forand bill is the "opening maneuver in a scheme to bring federally controlled medicine to the U. S. step by step."

Mr. Forand says: "Mail favoring the bill is pouring in and doctors are among the letter writers."

While conservatives on the Ways and Means Committee may be able to keep the health insurance idea from being incorporated in social security legislation this year, the idea could be tacked onto the Senate version of the measure. Then a compromise bill with strong enough backing could slip through the conservative House Rules Committee and win House approval.

Undoubtedly some revision will be made in the social security law. This statute has been broadened every election year in the past decade. At least the disability provisions will be liberalized and recipients may also be allowed to earn more than the present \$100 a month ceiling and still collect their government checks. But the odds favor passage of federal health insurance unless the opponents can convince the public that it is a step toward socialized medicine and lower medical standards.

More regulation

In the past few months, the average voter has had reason to wonder if his favorite television program was rigged, if his Thanksgiving cranberry sauce was contaminated, or if there would be steel enough for new cars so he could replace his jalopy.

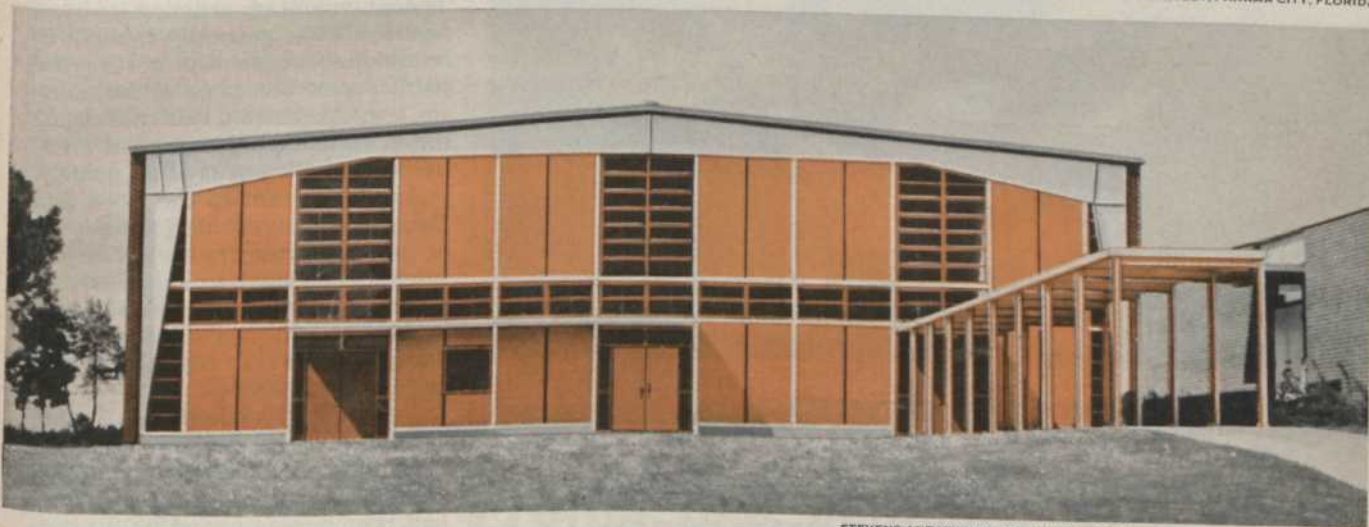
Exposure of TV quiz show fixing and payola for record and product plugging over the air has already brought some federal action. The Federal Trade Commission filed complaints against record companies, and the Federal Communications Commission in effect told the broadcasting industry to adopt strict self-policing or face more regulations to assure that the public interest is served.

Attorney General William Rogers has recommended law changes to correct practices exposed in the broadcasting industry and to give the Federal Trade Commission more power.

Meanwhile, the networks themselves have been cracking down on questionable practices. But this won't stop individual lawmakers from proposing legislation that could range from government ownership of some broadcasting facilities to utility-type regulation of broadcasting profits to revocation of



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FEDERAL CONTROLS

continued

licenses of stations with poor records.

Most congressmen would be against drastic action and wary to censor program matter for fear of abridging freedom of speech. But federal agencies may be given more power, money and encouragement to go after false and misleading advertising or broadcasting practices.

For the first time in its 45-year history, the Federal Trade Commission several weeks ago held a conference of consumer and other organizations to discuss legislation or regulations to restrict deception in advertising and selling methods. Though voluntary policing by business itself was generally thought to be the best means of protecting the public, some delegates to the meeting suggested added rules and legislation with more government grading and labeling of product quality.

An amendment to the Food and Drug Act last year put the burden of proof on industry to assure the safety of chemicals used in food and cosmetics. It also prohibited the use in food of additives that have produced cancer in laboratory animals.

Just before Thanksgiving, Health, Education and Welfare Secretary Flemming alarmed the nation by announcing that some cranberries had been contaminated by a weed-killer suspected of causing cancer. A few weeks later, he banned the use in poultry of a hormone which had apparently led to cancer in laboratory animals. And he called for new law to bar the use of the growth hormone in livestock feeds.

Meanwhile, under present law, food additives must be proved safe by manufacturers, processors and users by next month. So other foods and additives surely will be in the news.

No new additive may be used if it is found to induce cancer even if only the smallest trace remains in food. But the Food and Drug Administration—which is under the Health, Education and Welfare Department—must prove a chemical is cancer-producing in the case of food producers who have had permission to use the chemical in the past.

Secretary Flemming wants Congress to tighten the law so the Food and Drug Administration can impose a retroactive ban on such chemicals. Even if producers could show a person would have to eat hundreds of pounds of a particular

food at a sitting to get harmful doses of cancer-causing chemicals, Congress would likely go along with any changes to toughen the laws in this emotion-packed area.

Impact of the 116-day steel strike—the longest in history—spread far and wide. Though the strike is now settled, in the minds of many including the President, the national emergency provisions of the Taft-Hartley law are inadequate to handle such labor disputes. Recommendations for fact-finding boards, labor-management courts, outright government seizure of strike-bound companies and compulsory arbitration all have more political appeal than action to control union monopoly power.

Much of the public believes that, in labor-management disputes, the equitable solution must lie in compromise between what labor wants and management will concede. Political attempts to settle labor disputes tend toward this kind of compromise even when, for example, wage increases are not justified by increases in productivity and would therefore be inflationary.

Many put the January steel strike settlement in this category.

The steel industry, along with other industries with a concentration of large companies, has been blamed for promoting inflation through what congressional investigators call administered prices.

The latest phase of the administered price hearings by the Senate Antitrust and Monopoly Subcommittee put the drug industry on the griddle for the price of medicines. It charged that prices were so high many couldn't afford them.

"How ironical it is," points out Dr. Austin Smith, president of the Pharmaceutical Manufacturers Association, "that this industry should be criticized for the financial plight of millions whose lives have been saved because of the industry's contributions to medicine."

Subcommittee Chairman Kefauver says his group's purpose is to "determine whether antitrust laws as applied to this industry are adequate." He says he wants to find out if the public is adequately protected by competition and, if not, to write remedial legislation. Most drugs, he says, "appear to fall clearly within the definition of administered prices."

Erwin D. Canham, president of the U. S. Chamber of Commerce and editor of the *Christian Science Monitor*, noted recently that "... we stand in dire need of more opinion-development, more public

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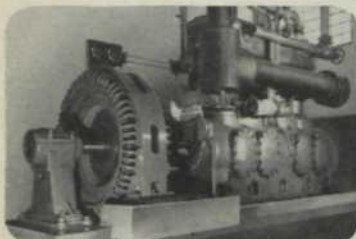
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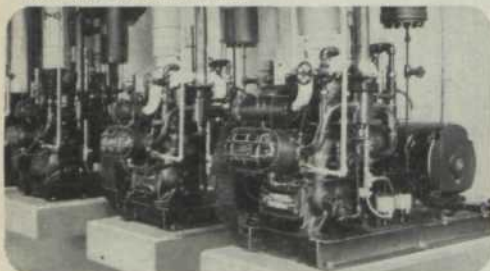
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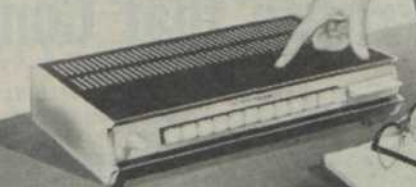
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FEDERAL CONTROLS

continued

economic education, and more public understanding of issues which carry the threat of more federal controls over business (and) more federal intervention in the free market."

Of course, many members of Congress are against government interference with private business decisions on prices and other matters and against more government regulation and control.

As Rep. Lee Metcalf, Montana Democrat and informal leader of the House Democratic liberals, told NATION'S BUSINESS, "I don't think there's any great pressure for more government controls generally. But when you get down to specifics, everybody says that something ought to be done about this or that. I think the people who complain about the high price of drugs, for example, turn to social security broadening, rather than price controls, as a means of solving their problems."

However, the Antitrust Subcommittee has legislation pending before it which would require big manufacturers to let the government know before they raise their prices. Then, under the proposal, the Federal Trade Commission would be empowered to call public hearings on the reasons and justification for price boosts. Another price measure sponsored by Rep. Henry S. Reuss, Wisconsin Democrat, was approved last year by the House Government Operations Committee. This bill would give the President authority to order hearings when he feels price or wage increases threaten economic stability.

If either proposal should be enacted, businessmen say price decisions would be moved from the market place to the political arena.

A top-priority legislative goal of organized labor for 1960 is enactment of a new Federal Wage-Hour law. The AFL-CIO wants to extend the minimum wage coverage to millions of added workers and raise the minimum wage from \$1 to \$1.25. The legislation would force higher labor costs and in many cases mean higher prices and layoffs for some employees. Prospects are the law will be broadened, since the Administration also favors some extension of coverage, though no increase in the minimum wage.

Another union target is passage of legislation to fix federal standards for state unemployment compensation programs. Labor naturally

wants bigger, longer-lasting benefits. Besides interfering with state rights in the field, such legislation would mean high costs for employers, since they would probably have to pay higher unemployment compensation taxes. Odds are against enactment of federal standards, unless there is sudden heavy unemployment. (For details on union objectives in Congress this year, see page 92.)

Congress also has pending a bill to give the Federal Reserve Board power to control installment credit for consumer durables, such as cars or refrigerators.

Another proposal which is gaining some strength would make business and lenders specify the total interest charge a consumer must pay on an item he buys on installments. The idea is that public knowledge of high carrying charges supposedly would discourage too rapid expansion of consumer credit buying.

Bills in the House and Senate propose to broaden price discrimination prohibitions of the Robinson-Patman Act to make it mandatory for a manufacturer to give wholesalers a functional discount not granted to retailers. It would mean a retailer who buys directly from the manufacturer would pay a higher price than a wholesaler for the same product.

Senate and House measures also would amend the Robinson-Patman Act to eliminate good faith as a defense for allowing a seller to discriminate in price to meet a competitor's lower price. Enactment could lessen chances for price cuts.

Another legislative proposal that would restrict business management would require firms to notify the government 60 days before buying or selling assets worth more than \$1 million.

In his State of the Union message, President Eisenhower told Congress: "We must be ever alert that freedom does not wither through the careless amassing of restrictive controls..." But public and legislative concern over inflation, competition, and questionable business practices in some minority instances will tend to increase the interest and pressure in 1960 behind bills to interfere with or regulate business.

"These pressures will be greater than ever during this session of Congress," predicts one business executive. "It means business will have to tell its story better, make the people realize how it serves them, and take more interest in legislative and political activity." **END**

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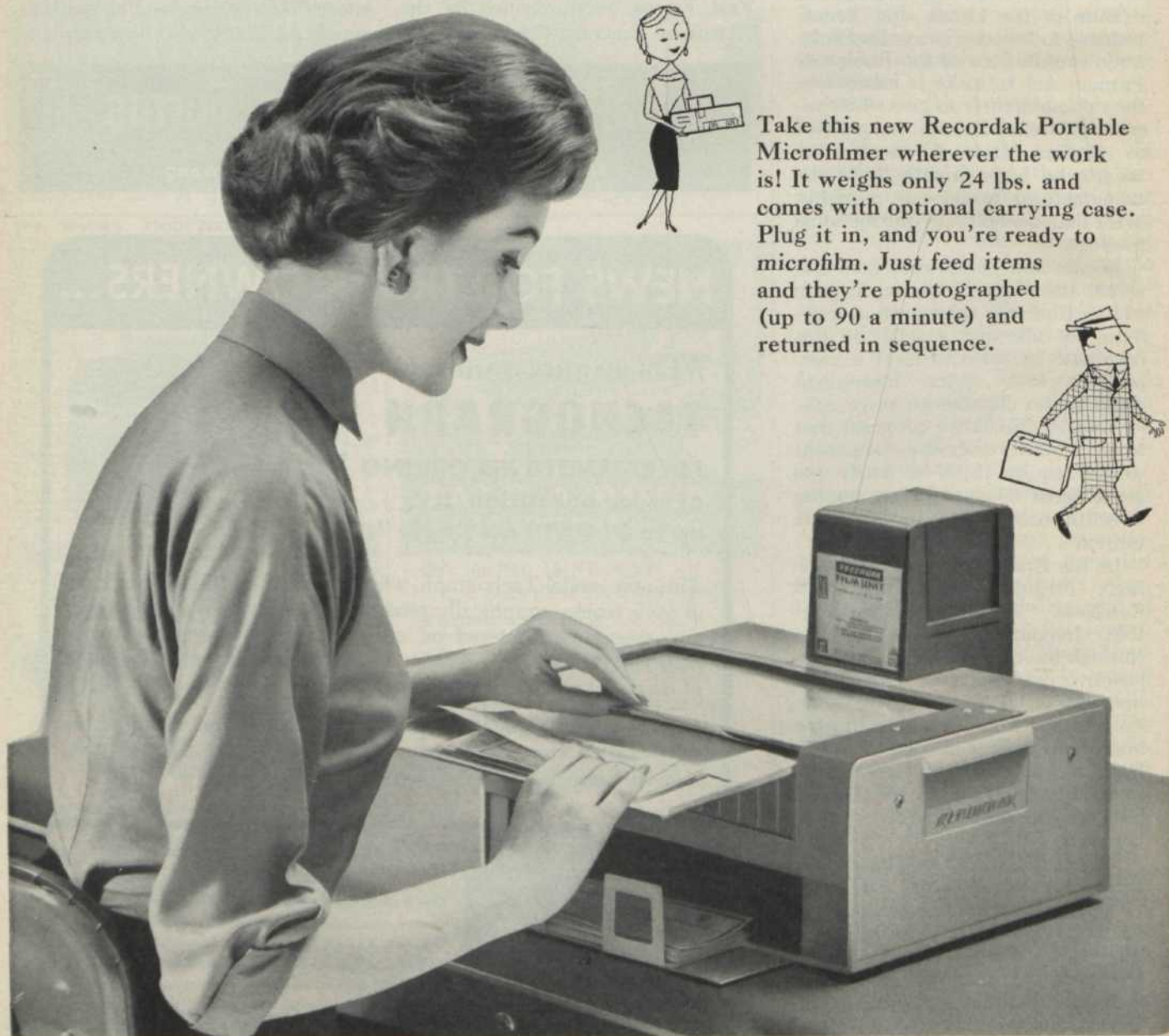
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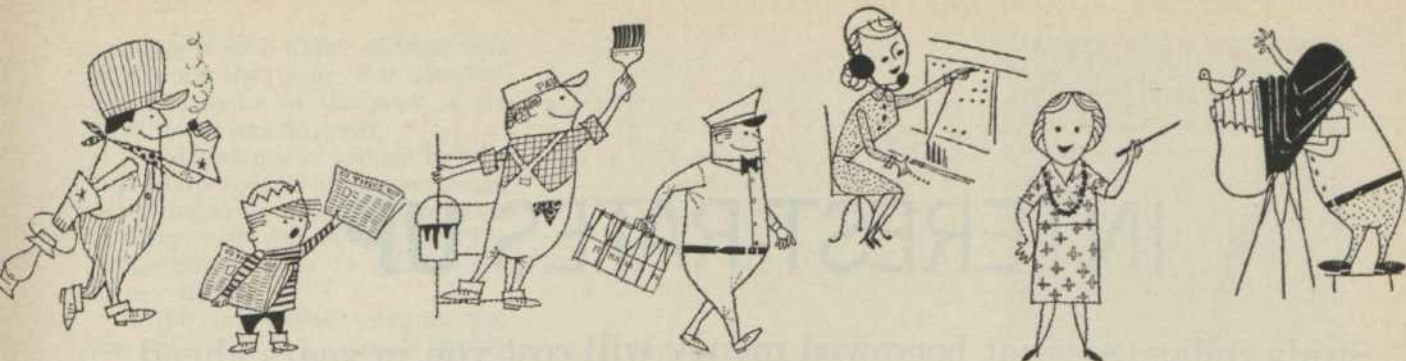


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LONG-RANGE TREND: INTEREST RATES UP

Study indicates what borrowed money will cost you in years ahead

THE COST of borrowed money for years to come will be somewhat higher than businessmen have become accustomed to paying. Ahead is a lender's market, not a borrower's market.

During most of the 1960's you can expect to pay higher interest rates. Five per cent on high-grade corporate bonds, for example, will be more common than three per cent.

This higher cost must be taken into account for long-range business planning. But short-term financing, too, will be more expensive.

There will be fluctuations, of course, with the cost of money declining in periods of recession and rising during expansion phases of the business cycle. During 1960, interest rates are likely to flatten for a while; if work stoppages continue to slow up business, rates almost certainly will decline.

But the important trend businessmen should be aware of is that interest rates for some years to come will be higher.

The principal reasons for this are:

1. The total volume of business has been growing faster than the money supply.
2. Growth in the national economy will continue to create a strong demand for funds.
3. There will be limitations on the expansion of the money supply in relation to the growth in the demand for funds. These limitations will prevent sufficient money supply expansion to ease interest rates.

This means:

- ▶ The credit rating of your company will become increasingly important. The good character of management must be maintained.
- ▶ You will need to watch company dollars more closely. You must stress more careful management of working capital to minimize the need for short-term borrowing.
- ▶ You must also pay more attention to the development and main-

tenance of good working relations with banks. More and more companies will be seeking credit. As customers increase in number, banks tend to favor those with whom they have had good experience.

Lenders will continue to provide ample consumer credit but this will cost more, too.

In the mortgage money market there will be high rates and a relative scarcity of funds.

Bond holders will fare better than they have since the 1920's. They will realize higher yields on all varieties of medium and high-grade bonds. High-yielding bonds will compete more strongly with stocks and the competition likely will cause stocks to sell on a higher-yield basis than has been usual in several years.

These prospects would change, of course, at the outbreak of a shooting war or the beginning of a greatly stepped up armaments program. Such developments would almost certainly require large-scale deficit financing by the Treasury and they would cause Federal Reserve credit policy to be directed in a way to facilitate Treasury financing—to allow the government to pay its bills.

This could result in relatively low interest rates.

A severe recession continuing over several years would also bring a major downturn in interest costs. Easy money would undoubtedly be the first antirecession weapon used and it would continue to be used so long as recovery was considered incomplete.

Understanding more about the forces pointing toward the higher costs for borrowed money will better enable you to assess your company's long-range planning.

To keep the future in perspective, look at recent trends. In the 1930's and 1940's, money rates declined far below the levels that usually prevailed in the preceding century of dynamic growth. We have come to think of those lower rates as normal.

Now it appears that, in the broader perspective of history, the period of low interest rates was merely an unusually extended deviation from the more basic pattern of higher rates that tends to prevail in a vigorously growing economy.

A growing economy is expected during the 1960's. Demand for funds will be strong.

But a significant difference in the money supply will distinguish the decade ahead from the decade just past. The money supply will be lower in relation to the total volume of business.

Federal monetary and fiscal authorities increased the money supply during the 1930's in an effort to combat deflation and business stagnation. The money supply—defined as the total of demand deposits in commercial banks plus currency in circulation outside banks—was abundant through the late 1930's.

At the end of 1939, for example, the total money supply amounted to 40 cents per dollar of gross national product (total value of all goods and services produced in the country). That's another way of saying that 40 cents was available



**your firm's CREDIT
rating will become
more important**

to support each dollar of total business done that year. For comparison, the figure at the peak of the 1929 boom was 25 cents.

An abundance of money in relation to the volume of business being done makes for low interest rates.

Then came World War II. The government began to add to the money supply.

At the end of 1946, when the war was over, the total money supply was approximately three times as great as at the end of 1939.

But our total volume of business, in spite of price inflation and war-stimulated expansion, was only slightly more than doubled.

As a result, at the end of 1946 we had 51 cents for each dollar of business done—compared to 40 cents in 1939—and interest rates were low.

To a considerable extent, that money supply financed the growth of the economy and the rise of the price level in the late 1940's and the early 1950's.

The money supply continued to increase slowly in the 1950's, but the economy expanded faster. The result was a decrease of the money supply in relation to the total volume of business.

The decrease was substantial. By 1955, money supply per dollar of gross business was down to 34 cents, as compared with 51 cents in 1946. Currently the amount is only about 29 cents. Today we are doing business with fewer dollars of money supply in relation to the volume of business than we have had for about 30 years. We have relatively less money to do business with and we accomplish the greater volume by having money change hands faster.

This explains the continued rise in interest rates that characterizes the current situation. Money comes into greater demand as the volume of business expands. Thus the cost of borrowing money rises. The faster business expands, the faster interest rates will rise.

Today many business firms that previously had little need for bank borrowing are going to banks to finance growing inventories and receivables. The demand for consumer and mortgage credit is soaring.

In response to the demand from individuals and business, total loans of all commercial banks expanded from \$26.1 billion at the end of 1945 to \$108.2 billion now. To accommodate their loan customers, the banks reduced their holdings of securities from \$98 billion to \$80 billion in the same period.

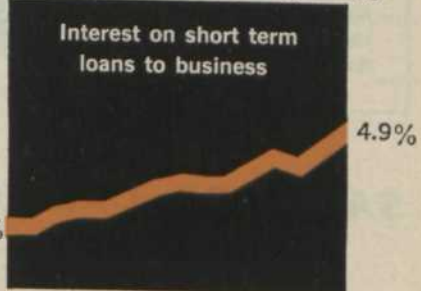
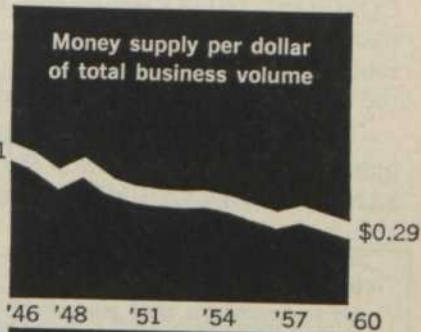
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INTEREST RATES

continued

reaches, say, \$700 billion by the mid-1960's, the money supply would need to be raised by about \$70 billion—from approximately \$140 billion today to about \$210 billion then. This would maintain the current money supply ratio of roughly 30 cents for each dollar of gross business.

This ratio is likely to be maintained in the years ahead for two reasons:

1. Limitations of Federal Reserve policy.
2. Some internal limitations on the ability of banks substantially to increase loans and investments.

Here is the crux of the interest-rate trend. These forces will restrict expansion of the money supply.

The Federal Reserve is firmly committed as a vigorous opponent of inflation. You can safely anticipate that, as the economy grows in the years ahead, the Federal Reserve will continue to follow a policy of monetary restraint.

Point number two involves the ability of banks to create additional money supply. If our banking system were in the same position as in the late 1940's, the prospect of increasing bank loans and investments would present few difficulties. Then, the banks were loaded with loanable funds. Today they are not. Further expansion of bank credit to the extent required by our growing economy will be subject to some severe limitations; these limitations will contribute to a continuation of high interest rates.

In the first place, the banks will require a substantial increase in their legal reserves. Member banks of the Federal Reserve must maintain legal reserves in the form of deposits with the Federal Reserve Banks equal to certain stipulated percentages of their demand and time deposits. Nonmember banks similarly are required by state regulation to maintain reserves in the form of cash and balances with other banks.

The required increase in bank legal reserves will have to be supplied by the Federal Reserve banks. With their great concern about inflation, the monetary authorities will dole out additional reserves sparingly. On the other hand, they have a duty to see that the credit needs of the economy are adequately served. The Reserve System's controls will operate to permit such increase in the money supply as the

economy clearly requires—but no more. This means that the banks' ability to increase loans and deposits will be strictly limited by reserve requirements.

Some other limitations are to be found in traditional and regulatory rules about what ought to be the relationships of certain items in bank balance sheets. Both bank managements and bank supervisory authorities think that there should be some minimum amount of capital in relation to deposits. For commercial banks the capital-to-deposits ratio is now about one to 11. Thus, if banks are to increase their deposits and maintain the usual ratio of capital to deposits, they will have to increase their capital.

They have been able to do this at a satisfactory rate in recent years and should be able to do so in the future.

Another kind of internal limitation might be more serious. Banks are able to lend only a part of their deposits; the rest is required for cash and other reserves. When loans amount to, say, 50 per cent of total deposits, many bankers feel that they are loaned up. That is, they have used for loans about as large a proportion of their total resources as they think proper.

There is no general rule about what ratio of loans to deposits constitutes being loaned up, but currently the loans of all commercial banks amount to about 53 per cent of their deposits. Bank examiners usually frown on ratios much above 50 per cent unless a bank has a strong capital position.

This limitation on the ratio of loans to deposits has two implications. First, there is presently little slack in the condition of the commercial banking system for expanding loan volume. Second, as loans increase there will have to be a proportionate increase in the kinds of bank assets that provide liquidity.

In spite of the magnitude of the increase in money supply that must be accomplished as the economy grows, and in spite of the practical limitations on credit expansion, we can be confident that the expansion will come about.

The significant point is that it will be accomplished under conditions that make for continuance of interest rates at levels higher than those of recent years.

The author is Dr. Harry C. Sauvain, Professor of Finance, Indiana University Business School. At present he is Visiting Professor of Finance, Graduate School of Business, Stanford University.



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HOW STATES INCREASE UNEMPLOYMENT BENEFITS

	Maximum weekly benefit ¹		Maximum duration	
	1959 Increase	New Level	1959 Increase	New Level
Arkansas	\$ 4	\$30	8 weeks	26 weeks
California	15	55	—	26
Colorado	9	42-53 ²	6½	32½
Connecticut	7	45-67	—	26
Florida	3	33	10	26
Hawaii	10	45	6	26
Illinois	5	32-50	—	26
Indiana	3	36	6	26
Iowa	14	30-44	2	26
Kansas	6	40 ²	6	26
Massachusetts	7	40-46	4	30
Nebraska	2	34	6	26
New Hampshire	6	38	—	26
New Mexico	6	36	6	30
North Dakota	—	32	4	24
Ohio	14	42-53	—	26
Oklahoma	4	32	13	39
Pennsylvania	3	38	—	30
South Dakota	5	33	4	24
Tennessee	2	32	—	24
Utah	—	39 ²	10	36
Vermont	8	36 ²	—	26
Washington	7	42	4	30
Wisconsin	10	48 ²	8	35

BENEFITS IN STATES WHICH MADE NO INCREASE LAST YEAR

Maximum weekly benefit ¹		Maximum weeks duration		Maximum weekly benefit ¹		Maximum weeks duration	
Alabama	\$28	20	Mississippi	\$30	26		
Alaska	70	26	Missouri	33	26		
Arizona	35	26	Montana	32	22		
Delaware	40	26	Nevada	37½-57½	26		
District of Columbia	30	26	New Jersey	35	26		
Georgia	30	22	New York	45	26		
Idaho	40	26	N. Carolina	32	26		
Kentucky	34	26	Oregon	40	26		
Louisiana	35	28	Rhode Island	30	26		
Maine	33	26	S. Carolina	26	22		
Maryland	35-43	26	Texas	28	24		
Michigan	30-55	26	Virginia	28	18		
Minnesota	38	26	W. Virginia	30	24		
			Wyoming	43-49 ²	26		

¹ Where two figures are given, higher figure includes dependents allowances, except in Colorado. Colorado pays 25 per cent bonus for exceptionally regular employment record.

² Maximum is percentage of state's average weekly wage—50 per cent in Colorado, Kansas, Utah and Vermont; 52½ per cent in Wisconsin, 55 per cent in Wyoming.

COSTLY JOB LAWS

continued from page 41

able substitutes, technical advances, or changes in consumer tastes.

► Migration from the area of supporting industry for economic reasons.

The federal government can best fight unemployment, he said, by preventing inflation, avoiding extravagance in expenditures, imposing reasonable taxes, pursuing wise trade policies, and enforcing laws assuring free competition.

With respect to pockets of substantial unemployment, Mr. Ray pointed out, the government already has resources which are being applied directly toward solving the problems which local areas are incapable of solving.

Mr. Ray called attention to more than 40 specific federal programs which can be of direct help to troubled communities. The Office of Area Development in the Department of Commerce offers technical aid and provides information on all of these programs. They include Department of Defense procurement policies which give a break to areas of substantial labor surplus and the special considerations which the Small Business Administration gives distressed areas in making loans.

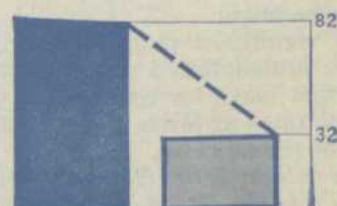
Walter B. Fackler, former assistant director of economic research of the U. S. Chamber of Commerce, told the Committee that business and investors will naturally shun a community that has a bad business climate, which may include bad labor-management relations, featherbedding, corrupt government, poor law enforcement, punitive taxes and the like.

Unemployment compensation

Here the big issue is whether the federal government should dictate

HOW LOCAL JOB SITUATIONS

BUREAU OF EMPLOYMENT SECURITY
DATA FOR YEAR ENDING NOV., 1959.



Major areas with substantial unemployment (6% or more) dropped from 83 to 32

minimum standards which states would have to meet as to amount and duration of benefits.

Organized labor favors legislation introduced by two Democrats—Sen. John F. Kennedy of Massachusetts in the Senate and Rep. Frank M. Karsten of Missouri in the House.

The identical bills would require states:

1. To establish a minimum benefit of not less than 50 per cent of a worker's weekly pay but not more than two thirds the state's average weekly pay.

2. To pay benefits for 39 weeks.

3. To extend coverage to all businesses, even those employing one person. (See "Unions Push Federal Jobless Pay," NATION'S BUSINESS, March 1959).

The House Ways and Means Committee has held hearings on the Karsten bill but has taken no action.

The Committee reportedly has informally approved another bill which would only raise the federal unemployment tax on employers from 3.0 to 3.1 per cent and make some minor extension of coverage.

Because taxes are involved, the Senate must await action by the House before holding hearings on the Kennedy bill.

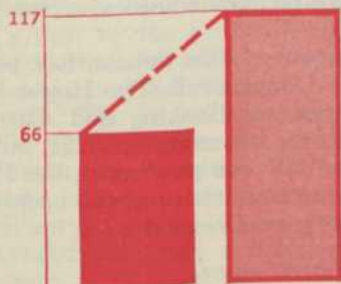
President Eisenhower opposes federal dictation, but has urged the states to pay benefits of at least half a worker's earnings for at least 26 weeks, if necessary.

Opponents of federal intervention make three main points:

One is that it is not needed in order to increase benefits because the states have been doing this on their own.

Last year, for instance, 22 states boosted maximum weekly benefit payments and 16 increased the duration of payments. Only 11 states now have a top limit that is less than \$30 a week. Forty states and

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Major areas with only slight unemployment (under 6%) rose from 66 to 117



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COSTLY JOB LAWS

continued

the District of Columbia pay benefits for at least 26 weeks.

Second, opponents contend that the amount of benefits should be left to the states because they are in a better position to judge the need and the impact.

Third, opponents say, setting federal standards would be a big step toward federalization and eventual destruction of the federal-state relationship that has worked well for more than 20 years.

Outright federalization is what organized labor really wants. Not only would benefit payments be uniform in all states, but the problem of increasing the benefits from time to time would be simplified. Union leaders would have to influence only one Congress instead of 50 state legislatures.

The AFL-CIO's last convention advocated a single federal system of

unemployment insurance as a means of achieving uniformity and eliminating unemployment benefit costs as an element in competition between states to attract business.

Until there is a federalized program, however, the AFL-CIO is pushing for the Kennedy-Karsten bill. The AFL-CIO leaders are optimistic of its chances this year.

As a candidate for the Democratic presidential nomination, Senator Kennedy, author of the Senate bill, is expected to go all out for its passage.

Considerable help is also expected from Senator McCarthy, who is co-manager of Sen. Hubert H. Humphrey's campaign for the Democratic presidential nomination.

Senator McCarthy charges that, besides being inadequate to help persons unemployed for long periods, state unemployment benefits, because of variations in size of payment and their duration, create inequities between workers in different states. **END**

LABOR IN POLITICS:

What unions want from this Congress

"AN ELECTION is coming up next November.

"Members of Congress cannot face the voters with empty hands. They must show some constructive accomplishments.

"If we do our job of convincing them that our program is worth while, we can achieve substantial results."

With these words, AFL-CIO President George Meany sought last month to spur to effective action a lobbying force of more than 600 union officials from all over the country.

At the same time, the union labor chief bluntly challenged members of Congress who will be seeking re-election next fall: "Our warnings can no longer be taken lightly."

The lobbyists met in Washington for three days to build steam behind labor's goals in the 1960 congressional session. They discussed issues with key legislators and swarmed over Capitol Hill trying to get support for these 10 legislative demands:

1. Minimum wage

LABOR WANTS an increase in the

federal minimum wage from \$1 to \$1.25 an hour and extension of coverage to 7.5 million more workers, mostly in the retail and service industries.

STATUS: The AFL-CIO is supporting the Kennedy bill—S. 1046—whose passage has been recommended to the Senate Labor Committee by a subcommittee. Hearings have not yet been held in the House.

2. Aid to depressed areas

LABOR WANTS enactment of the Douglas bill, S. 722, which would provide \$389.5 million in federal funds for loans and grants to promote industrial development in hard-hit communities. (See page 40.)

STATUS: The Senate has passed the Douglas bill. The House Committee on Banking and Currency cut the spending to \$251 million. The bill was pending in the House Rules Committee at the opening of the second session.

3. Civil rights

LABOR WANTS a stronger civil rights law.

STATUS: A bill encompassing less

than labor wants was bottled up in the House Rules Committee as the second session got under way. Senate leaders would like the House to act first, and have promised action by the middle of this month.

4. Social Security

LABOR WANTS enactment of the Forand bill, H. R. 4700, under which persons getting old-age pensions would also be entitled to full payment for surgical services, hospitalization for 60 days, and nursing home care.

Labor also seeks higher pensions, pensions before age 50 to the disabled, pensions at 60 for women, and higher taxes.

STATUS: Hearings on the Forand bill have been held in the House. The Senate is awaiting House action.

5. Unemployment insurance

LABOR WANTS enactment of the Kennedy-Karsten bill, under which the federal government would set minimum standards for states to meet with respect to the amount and duration of unemployment payments. (See page 40.)

Minimum payment would be half a worker's weekly earnings (subject to a ceiling of two-thirds of the state's average weekly wage). Minimum duration: 39 weeks.

The AFL-CIO estimates that the unemployment tax would rise 7/10ths of one cent per hour worked, or about \$14 a year per employee.

STATUS: Hearings have been held in the House on the Karsten bill, H. R. 3547.

There has been no action yet in the Senate on the Kennedy bill, S. 791.

6. Aid to education

LABOR WANTS passage of the Murray-Metcalf bill (S. 2 and H. R. 22) which would provide states with \$25 in federal funds for each school-age child for a period of four years.

The money, estimated at \$1.1 billion a year by the AFL-CIO, could be used either for school construction or teachers' salaries.

STATUS: The House bill was approved by committee last session. A Senate subcommittee has approved a bill which would authorize \$1 billion a year in federal grants for construction only and for only two years.

7. Housing

LABOR WANTS legislation assuring construction of at least 2,250,000



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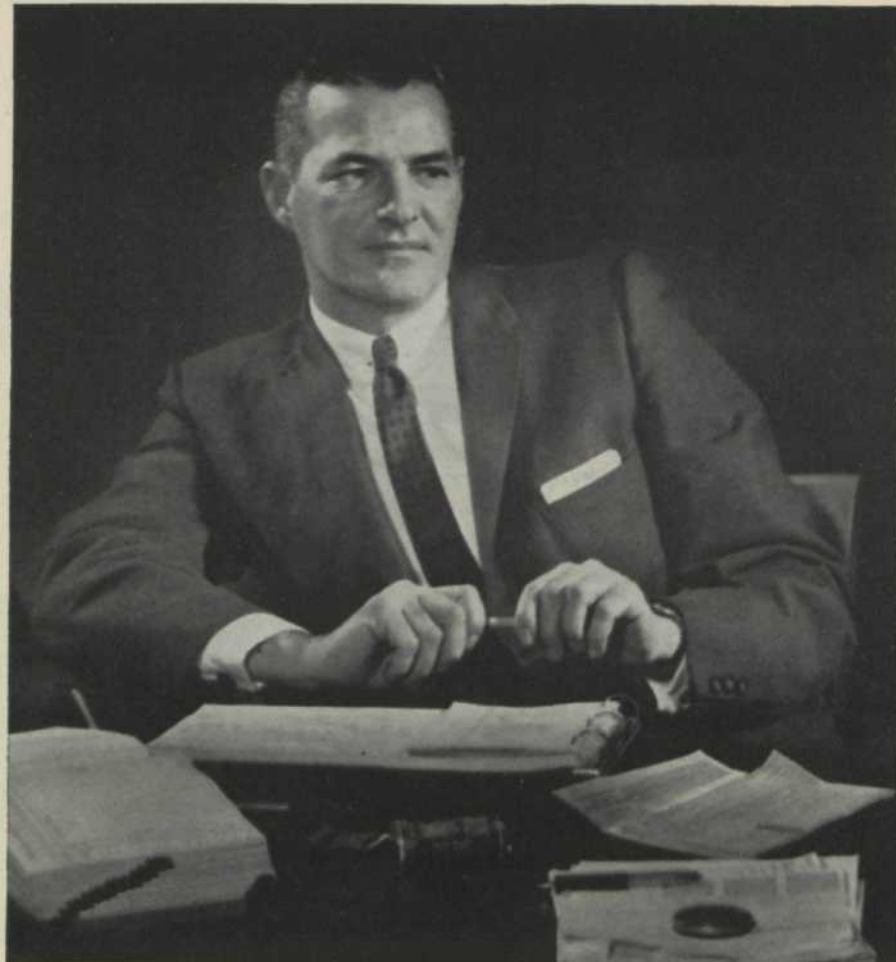
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WHAT UNIONS WANT

continued

houses a year, including 200,000 low-rent public housing units.

STATUS: Congress last session, after two presidential vetoes, put through a bill, signed by President Eisenhower, which over a two-year period authorized \$650 million in new grants for urban renewal; subsidies for 37,000 new public housing units; \$250 million in subsidized loans for college housing, and \$50 million to start a new subsidized loan program of housing for the elderly.

8. Secondary boycott

LABOR WANTS the secondary boycott restrictions of the Taft-Hartley law eased to permit picketing the site of a construction project, even though the union grievance may involve only one contractor.

STATUS: Bills with bipartisan support, S. 2643 and H. R. 9070, are pending. Introduction and passage of the bills was promised in a deal to get the Landrum-Griffin labor reform law through Congress last fall.

9. Labor standards

LABOR WANTS prevailing wages which must be paid for work on federal contracts to include fringe benefits as well as hourly wages. It also wants the rule to cover construction which is financed with federal insurance or loan guarantees as well as direct federal construction.

STATUS: Bills which would accomplish these objectives have been introduced, but no action taken on them. They are S. 1119 and H. R. 4362.

10. Tax revision

LABOR WANTS to shift more of the federal income tax burden to persons in higher-income brackets. Proposed revisions include:

Increasing the \$600 personal exemption.

Closing what the AFL-CIO calls "tax escape" provisions with respect to dividend income, capital gains, depletion allowances, expense accounts, stock option plans, deferred compensation and split income for married couples.

Exempting from taxable income social security and other taxes paid on government retirement programs.

Increasing estate and gift taxes. Reducing or eliminating "inequitable" excise taxes. **END**

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Executive Trends

Management under a global microscope

Late this month—and early next—2,000 authorities on management will meet in Australia for the Twelfth International Congress of Scientific Management.

Among the approximately 60 United States delegates to this important triennial meeting will be many business leaders, management consultants, and business educators, including P. E. Haggerty, president of Texas Instruments Company; Thomas Carroll, vice president of The Ford Foundation; John C. Bugas, vice president in charge of International Ford Motor Company, and Dr. Lillian M. Gilbreth.

Emphasis at the Congress will be placed on "The Management Methods of the Next Decade" and papers will be presented on virtually all aspects of management responsibility. Equal emphasis will be given to discussions of ways in which the advanced management methods of the industrialized western world can be imparted to developing nations of Asia, Africa and Latin America.

► The Congress will be sponsored by the *Comite International de l'Organisation Scientifique*. The American member of this group is the Council for International Progress in Management, Inc. Col. Philip Garey, vice president of CIPM, says he expects the Congress to prove valuable to U. S. companies for two reasons: It will give us an opportunity to present the philosophy of free enterprise to representatives of newly developing nations, and will afford us greater knowledge of the significant attitudes and problems confronting U. S. businesses that are "going international" on an increasingly larger scale. (The 1963 Congress will be held in New York City.)

How human are your relations (with employees)?

Few subjects have been so thoroughly debated as "human relations" in business. There is disagreement even on the meaning of the term, as UCLA professor Robert Tannenbaum points out in a recent article in *The California Management Review*.

To some, "human relations" connotes a tool kit of methods for dealing with problems which arise among people at work. To others, the term means an ethical system "emphasizing the positive good that may result from the right kind of interrelationships among people." Professor Tannenbaum seems to prefer defining human relations as the various person-to-person and group-to-group relationships which arise in business, or what he calls "interpersonal phenomena."

In this connection, Ray S. Livingstone, vice president for human

relations of Thompson Ramo Woolridge, Inc., Cleveland, says management efforts to build good human relations with employees and to get top performance have been "too stuffy and generally uninspired."

► Mr. Livingstone's thesis is that too many bromides have crept into the human relations efforts of American companies. He cites management relations with first-line supervision as an example. Assure your foremen that they have wholehearted management support, Mr. Livingstone says, and they will aggressively undertake businesslike and fair steps to get their people to do a full day's work for a day's pay. But no amount of platitudes will take the place of clear assurance that management will back up the first-line supervisor.

Solving the problems of small business

One of the perennial problems of the smaller business is developing and using the best possible management methods. Lack of managerial competence is cited often as a primary cause for the failure of smaller companies.

The New York paint industry, through its trade organization—the New York Paint, Varnish and Lacquer Association—is acting to give smaller independent dealers access to expert know-how in business management. The association's means for doing this is a Dealer Advisory Committee comprised of executives in the industry.

The committee makes itself available for private, confidential consultation on problems that arise in the dealerships. The service is free and is based on the belief that the entire industry benefits when all its links are healthy.

► Similar aids to smaller business are available in other industries. The popularity of such assistance can be expected to grow in the future, as large industry realizes the increasing importance of keeping its smaller suppliers and dealers dynamic in a time when business management is becoming more and more exacting. Questions the New York PV&L advisory committee asks, when consulted, include "Is the dealer undercapitalized? Growing too fast? Loaded with too much low-margin business? Diversified sufficiently?"

New look at the manpower picture

In this space recently we reported an easing in the attitude of many companies toward the hiring of men over 40 years of age.

Lon D. Barton, president of Cadillac Associates, Inc., an executive placement organization, says he finds considerable "self-righteous breast beating" on the subject, but little actual easing of the long-standing resistance to hiring older men.

There may be less disagreement between Mr. Barton's views and the ones we reported than seems to be the case. He says most companies are still insisting on a top age of 50 when they hire executives from the outside and that their preference is for the man about 45. Our sources had earlier reported increasing demand for executives "over 40."

► Job offers to engineering graduates of the University of Michigan are reported to be "definitely up from last year." Cornell University, in a similar report, says its 1959 engineering graduates have hit "pay dirt" in the salary department, with the average starting pay being \$530 a month. A Chicago-based executive recruiter, Herbert Halbrecht, says industry has great current need for operations research executives, but adds that many jobs in the \$15,000-\$30,000 bracket are going unfilled "because too many operations-research people lack the ability to communicate their findings effectively to top management."

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AS WE ENTER the new decade of the 1960's, one of America's most serious problems will be the problem of inflation. Inflation is your problem wherever you are, or whatever your business may be.

Inflation is a general and persistent rise in prices—a steady loss in the purchasing power of the dollar.

Inflation shrinks the value of every insurance policy, every savings account, every retirement benefit, every pay check. It results in higher taxes. It disrupts business. It weakens the economy. It hurts everyone.

To check inflation, it is necessary to do more than merely oppose inflation; it is necessary to cure the *causes* of inflation.

You may be interested, therefore, to know what the National Chamber—representing all business and industry, large and small—is now doing to strike directly and continuously at the causes of inflation. Here are a few highlights:

1. RECOMMENDS SPECIFIC BUDGET CUTS—The National Chamber makes a detailed study and review of the federal budget to determine where and how unwise expenditures can be eliminated. This information is used at every turn in recommending and urging specific budget cuts to avoid a deficit.

2. SPOTLIGHTS WASTEFUL DEFENSE SPENDING—The National Chamber favors the strongest possible national security for America. But the Chamber stresses the imperative need to guard against spending for defense to the point of weakening the economy—the real base on which our military strength depends. And the Chamber stresses the imperative need to resist pressures to use defense dollars to achieve social objectives having little, if any, relationship to military requirements.

3. WORKS FOR PRICE STABILITY—The Chamber supports an amendment to the Employment Act of 1946 to make “stability in the purchasing power of the dollar” one of the Government's objectives along with high employment and maximum production.

4. ATTACKS BACKDOOR SPENDING—Appropriating federal funds outside of normal budgetary controls—backdoor spending—is all too often inflationary, and

difficult to get at. The Chamber is conducting a head-on attack against all forms and schemes of backdoor spending.

5. WORKS FOR SOUND WAGES—The Chamber favors a good day's pay for a good day's work—but the Chamber is campaigning against extension of the Minimum Wage-Hour Act, legislation which would launch additional price-wage increases.

6. CAMPAIGNS FOR SOUND INTEREST RATES—The Chamber is campaigning for the elimination of artificial restrictions on interest rates for government bonds. Restrictions cause inflationary pressures.

7. OPPOSES MONOPOLY POWER—The Chamber is working to reduce monopolistic labor power which leads to the wage-price spiral.

This is only a partial list of the Chamber's present activities directed toward curing the causes of inflation.

Through its thousands of local and area meetings, workshops and conferences, through its Aircade for Congressional Action, through the widespread distribution of its regular publications and special pamphlets, the Chamber carries on an intensive educational, opinion-forming and action-getting program against the causes of inflation.

For information about how you can take part in this fight, write:

**CHAMBER OF COMMERCE OF THE UNITED STATES
WASHINGTON 6, D.C.**

KEEP AMBITION IN BALANCE

Here are suggestions for helping put
in perspective the desire to get ahead

THREE YOUNG EXECUTIVES employed by the same large eastern corporation are moving toward dramatically different fates:

The first has alienated top management and is losing the affection of his family.

The second is going to pieces emotionally. His work at the office shows it.

The third is receiving slow but steady promotions.

In each case the primary cause is the same: ambition.

The first man has too much ambition, the second too little. The third has about the right amount to be relaxed and reasonably happy.

In today's business world everybody is expected to be ambitious, but, as one executive recruiter puts it, "Ambition is like an atom: It can do a lot of good or a lot of evil."

Too much can be as bad as too little.

Much tension and unhappiness would be avoided if the businessman knew what ambition is, how he can measure it in himself, and how he can increase or de-

crease his allotment of it. The following suggestions, gathered by NATION'S BUSINESS from authorities in the field of human motivation, may help you or your associates.

What it is—Ambition, says psychologist James Farr of Farr & Glasscock Associates, New York executive recruiters and assessors, may be divided into two parts:

One is goal-setting—the desire for an objective. This may be money, skill, prestige, position, or combinations of these or other attainments.

The other is the drive to work toward that goal.

In the healthily ambitious person these forces are in satisfactory balance with each other and with other personality traits or characteristics.

When this balance does not exist, the person either doesn't have ambition or has it to excess.

Dr. Farr tells of talking with a young man who expressed an ardent desire to become a vice president of his company. Demonstrating how the young man acted during their conversation, Dr. Farr leaned back in his chair, plopped his feet on the desk, and picked his fingernails with a letter opener.

"This is the position the young man took while telling me he would give anything in the world for the vice presidency," he said. "Actually, he'd give anything except perhaps the hard work required." This man's goal-setting far surpassed his inner drive, Dr. Farr said.

On the other hand, a person with plenty of drive but no objective struggles to get ahead without knowing "ahead of what."

"He's like a rudderless speedboat," says Dr. Farr. "He circles through the water like mad without ever knowing what his course is. Just the same, I'd rather see a man with plenty of drive walk through that door looking for a job than a man with plenty of ambition but no drive. It's easier to direct the drive into productive channels."

How to identify it—Three things indicate whether or not a person has ambition:

1. Dissatisfaction with things as they are now; seeking ways to improve the existing set-up.
2. Looking at the future with anticipation; eagerly





thinking about and making active plans for the years ahead.

3. Restlessness to move upward; to receive more authority, prestige, money; to learn more; to do a better job and become more of a master at the trade, craft or profession.

If you have these feelings, then you can put yourself on the side of those who want to get ahead.

Interestingly, however, two primary forces responsible for a person's feelings of ambition lie beyond his control. One is society, the other early experiences.

The business ethic, says Dr. Harry Levinson of the famous Menninger Foundation, Topeka, Kans., requires that a person be ambitious. You're supposed to want to get ahead. Not everyone does. Familiar in most organizations is the "now-forgotten" man who rejected a chance for a higher job that required uprooting of family. (See "You Can Tell Who Wants Success," *NATION'S BUSINESS*, December 1958, and "What You Can Do About Stress," *NATION'S BUSINESS*, June 1958.)

Aside from the social pressures that spur ambition, much of the molding of what a person will strive for begins in early childhood.

Take the case of an oldest child. For a few years he received all of the parental attention. Then along came a brother or sister. There went the undivided care and feeding.

In this situation the child will usually develop one of two ways. He feels somewhat rejected with the birth of the second child. When some of the attention he had come to expect is suddenly withdrawn, he may grow up feeling he is unworthy of reward. Thus he easily could develop into a person with no real ambition because of a feeling that he doesn't deserve a great deal from life.

On the other hand, another older child might adopt the attitude, "Well, I'll show them. I'll become something really big, someone people will have to pay attention to." He then grows up a driving, aggressively ambitious adult.

Exactly why these two might develop in different

ways needn't concern us here. The point is that experiences dating back to before we can remember play a part in shaping us so that we have ambition, or lack it. Experiences through life add and subtract from the drive to get ahead, also, but the personality is pretty solidly formed by the time we reach our late teens.

Having ambition is not always the most pleasant thing in the world. Recently an executive with a leading company remarked somewhat tiredly to a conference associate, "Ambition is a painful thing."

He was referring to an undefined inner drive that seemed to compel him to struggle more and more fiercely to become productive, to attain prestige and position. Without really knowing why, he plummets forward toward often vaguely defined goals.

Dr. Farr suggests that perhaps all persons with a striving to get ahead may be slightly neurotic. "But, after all, that is what makes the world go round," he says.

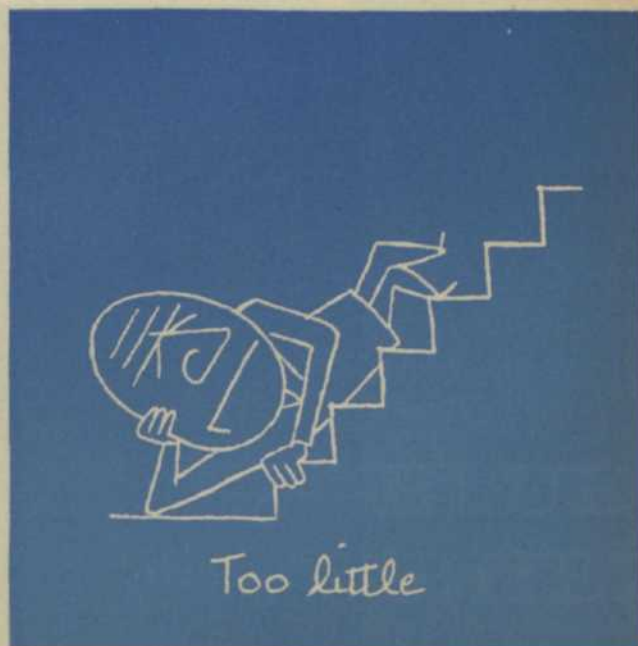
A psychiatrist with one of the largest U. S. corporations goes a step beyond Dr. Farr in his belief that extremely ambitious persons are not what is popularly considered "normal."

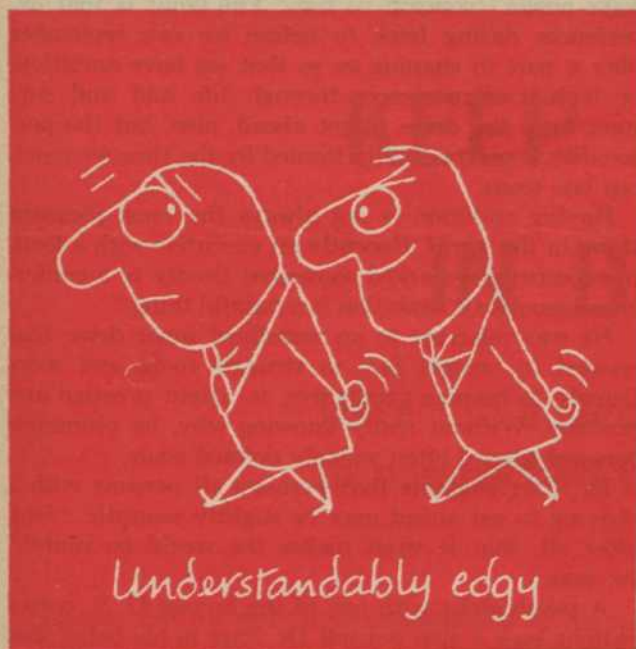
The psychiatrist cautions, however, "Don't go running to a doctor just because you want a promotion." In other words, it's almost normal to be a little neurotic. One psychologist points out that a completely adjusted person is scarcely more than a vegetable.

What you can do about it—With ambition, as in so many things, a person prospers most materially and emotionally if he is able to strike a happy balance between extremes.

Too little ambition—or at least too little expression of what ambition exists in an individual—can be as harmful as an unreasonably exaggerated quest for higher position and more power. If a person simply isn't as desirous of advancement as others, he can sail through life with seemingly little difficulty. However, if the desire to get ahead is there, he'd better do something to satisfy it.

Not everyone with ambition to be president of the





company is going to make it. There's only one top man. A person failing in this goal will be frustrated, says Dr. Saul Gellerman, New York psychological consultant. But he points out that it is far better to be frustrated than to lose your self-respect. This often happens, he says, when a person doesn't even try to become the top man, but harbors a desire to reach those lofty heights.

When a person who actually has ambition doesn't try to develop his talents to the fullest, he may be in for emotional trouble in mid-life, Dr. Gellerman warns. That is what frequently goads a man to drinking excessively in his forties and fifties, he says. The individual is ashamed of himself for not trying. He's tortured by the thought that he might have made it, had he applied himself.

At the other extreme, too much ambition can let a person in for trouble. Excessive ambition often results in loss of normal social ties. A person may become so

DRAWINGS BY CHARLES DUNN



dedicated to pursuit of his career that he loses touch with friends and family. Although a person may feel that a great many friends are not necessary—and this varies from person to person—and that sooner or later he can resume the ties with his family, what happens if something goes wrong at the job?

Suppose the company is sold, and he's forced out? Suppose he simply doesn't have what it takes or doesn't get the breaks? In short, if something happens to his career, what's he got then?

He's a stranger to his family. His friends will have tired of having their toes stepped on by the man-on-his-way-up. Besides, what does he have to interest him now? What hobbies does he have? The community civic association could probably find a spot for him. But do you think he'd suddenly become interested in neighborhood problems?

Psychologists say that a man who gives himself so completely to one aspect of life is making a serious mistake. Emotionally, it's like investing all your capital in one type of common stock, and not having any bonds to hedge against recession. Then, if the goal doesn't materialize, a person can and often does become emotionally bankrupt.

Exaggerated ambition, too, can cause a person to become dissatisfied with his present status in life. He's carried the ambitious person's tendency to look to the future so far that he's unhappy about the present.

Boredom with one's job, even when it holds real opportunity and challenge, often occurs when a person allows himself to look too longingly at the future "when I'll be way up there." He's concentrating so hard on distant days that he feels what he's doing today—even if it is preparing him for the future—is beneath him.

Another thing that often happens when a person has an exaggerated ambition, according to one industrial psychologist, is that he can alienate top management. Much lip-service is paid to management's desire for men with ambition. What they are saying, according to one psychologist, is, "But let's not get too ambitious."

After all, he says, who wants to be in the driver's seat when someone in the back seat is scratching and scrambling and trying to get the wheel away from you? A manager at one level often becomes a bit uneasy when someone just below is showing a driving ambition.

This doesn't mean it is dangerous to have ambition, but when such a blatant display of "get-aheadness" is seen around the office, it tends to make those above, those threatened, understandably edgy.

How, then, does a person go about setting the delicate balance between too much and too little ambition?

Any drastic shifts in his outlook are likely to take some professional pushing and tugging, plus a real desire on the person's part to change.

But psychologists agree that a person can make certain personality modifications himself. And the first step toward making the desired modifications is self-realization.

Dr. Gellerman says a person should honestly try to face up to his "worth in the market place." For-



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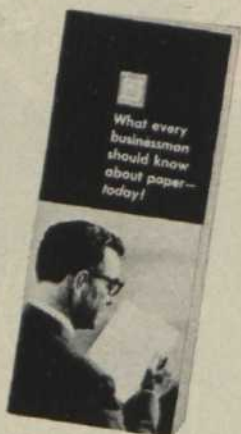
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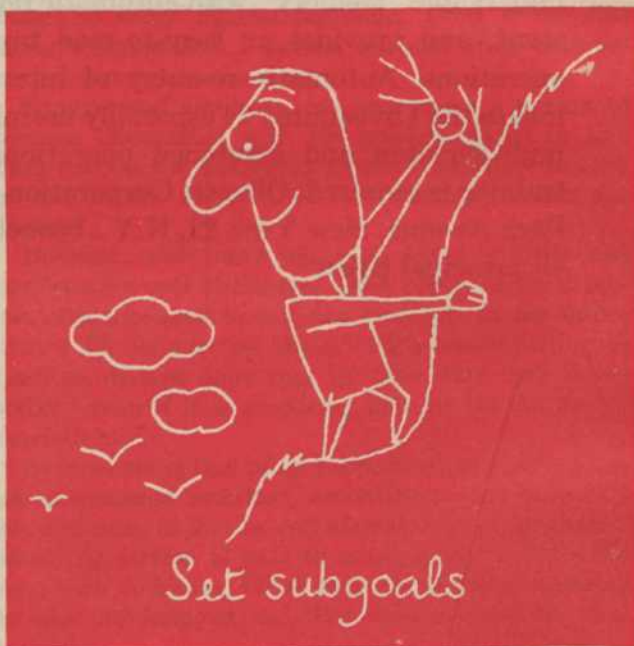
KEEP AMBITION IN BALANCE *continued*

getting the daydreams and idle wishes, what are your chances of becoming the top man?

And do you want to be president? Often, upon examination of one's own desires, a person realizes that his imagined ambitions for presidency of the company were falsehoods to himself. He actually does not want to pay the price in responsibility, harder work and loss of family hours. He then begins to adjust his ambitions to more realistic goals, ones with which he will be comfortable.

Look back over your past achievements. Often this is a good way to appraise your market worth. Use your achievements and failures as something of a guide to what you can expect in the future.

Don't become frightened by the ambitions you have, though. Dr. Peter G. Angelos, Washington, D. C., psychiatrist, says that many individuals tend to look up at the top of the mountain where they would like to go and then become despondent because



they feel they will never reach such peaks. Actually, what they should do, Dr. Angelos says, is stop for a moment and take a look back at the distance they have already traveled. This tends to give them courage to go forward.

Dr. Farr says a person should set subgoals leading to his main objective. Then, as each subgoal is reached, it tends to spur him on to reach the next goal.

Setting subgoals also serves another purpose, he says. Nothing breeds ambition like success. Success in the subgoals acts to inject a little more ambition into the system.

An honest reappraisal of your goals, your ambitions, may not solve all your problems, but it will go a long way toward leading you to a productive and satisfying career.

END

REPRINTS of "Keep Ambition in Balance" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.

BUSINESS SKILLS

continued from page 37

and they ought to have some experience in small classes resembling committee activity.

Will the business schools be able to provide for executive needs of the future?

There are many avenues to business careers and to management positions. Business is one field which people can enter with no formal training and often succeed. As the demands on managers increase, however, the need will grow both for formal education and for programs designed to stimulate the continuing development of people for executive positions.

The schools have been criticized at times for not providing their share of business leaders. This may be explained in part by the fact that our educational programs are relatively new. I think business schools will be providing an increasing number of leaders for American business as time goes on. To do this, the schools need to anticipate some of the needs of the American economy and the business community.

For one thing, we have started to stress behavioral studies—psychology, sociology, cultural anthropology. Subjects of this type help in understanding individuals and groups and the most effective means for developing team efforts.

Will those areas of study be emphasized?

We don't know how useful they may be. We have always relied on psychology in many aspects of education for business, and on sociology. The business firm, while an economic institution, is also a social institution—perhaps the key social institution of our time.

We are also increasingly stressing environmental studies, because the business firm is managed in an increasingly complex environment. We have always stressed economics, and business-government relationships. The tendency has been to emphasize relationships on the federal level. We need to develop more knowledge of local community relationships, local community problems, and the interaction of urban economics and business policies. The urban problems probably will rank next to international peace and avoiding booms and busts as the most important set of problems facing future business managers.

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BUSINESS SKILLS

continued

subjects that deal with business participation in politics?

I doubt that we would develop courses oriented in that specific direction, but the business community and the business schools are increasingly aware of the need for greater community orientation of businessmen, managers and specialists, and others.

This orientation undoubtedly will lead to more active political participation by businessmen.

Will future managers be generalists or specialists?

The top manager will continue to be a generalist. However, we will need a great many more specialists. Schools can't concentrate solely on developing generalists. Furthermore, the young man typically starts out as a specialist.

Increasingly, our managers will need to know how to use the services of a more highly diversified group of specialists.

What about liberal arts as a part of business training?

Sound programs of education for business have always recognized the importance of general education. This assumes that the liberal arts graduate will be liberally educated. This is not always the case.

I don't think the question can be answered in terms of whether the student happens to take his degree in one of the arts or sciences or engineering or in the business schools, but whether he is in fact given a general education.

What can a person in business do to assist his own training?

This will depend to some extent on where he starts. If he has the equivalent of a college education, either with or without a major concentration in business, he would obviously start at a different level than if he has, say, a high school education.

The student with only a high school education will probably find it difficult to carry his education forward by himself. He is likely to start in some special field by taking evening classes.

What specific steps could he take?

Any organized educational efforts are useful. Some people are motivated by one kind of program and some by another. University extension courses often are helpful. Some people, however, can't find time to

attend these. They have to rely on their own efforts.

This comes back to reading and individual study. Unfortunately, I don't think we have provided enough guidance for such people in the past.

Should a person aiming at his own development set up some kind of formal learning program for himself?

You are suggesting good managerial technique—establish objectives and outline plans to achieve them. Yes, I think this would help individuals.

Sometimes, to get best results, people need guidance.

The first thing for most people is simply to keep up with the times. Read the newspapers. Read good magazines.

This is of basic importance. We hope that we at least start some good reading habits when students are in school.

Sometimes a person may find like-minded individuals with whom



"We will have a dynamic, expanding economy . . . Competition will increase tremendously."

he can discuss subjects of mutual interest.

How can a person be sure that his ambitions parallel his talents?

This is a hard thing to know. To some extent it has to be learned by trial and error. Suppose the student aspires to an artistic career. The schools can give him a familiarity with past artistic developments. Schools can teach some techniques and develop standards, but ultimately, if he lacks native ability, he won't succeed.

Should campus programs include first-line supervision, or even rank-and-file workers?

We have developed what we call

a middle-management program, designed so that it can be conducted off campus. This is above first-line supervision, in the general middle-management area.

What does this program include?

It is a sort of junior version of our executive development program. The general coverage is somewhat similar, but not as extensive.

Then, too, we have for many years provided specialized programs in different fields. We have had the Graduate School of Savings and Loan, for example. This has reached out to junior executives and executives in this area. Several schools attempt to do this more specialized type of work.

We have also designed a special series of programs in the small business field in cooperation with the small Business Administration.

We think of these as a series of leadership programs and try to dovetail the executive development programs, the middle management and small business programs, and the programs in more specialized fields into a leadership series.

Can you teach creative thinking?

I don't know that we can. We try to develop such creativity as the individual may have. We can't do this in a specific course, but we try to do it in all the courses. I don't suppose anyone knows how to teach invention, and this is a good example of creative thinking.

Can you teach leadership?

We don't know nearly as much about this field as about most other fields of business, but certainly leadership is an important element in the effective management of business. Various things can be done. One is to use examples, such as biographies of successful leaders. The psychologists have done some work along these lines. But I am inclined to think that leadership abilities are something like artistic abilities.

If an individual has them, they may be stimulated and developed; but it is hard to put them there if they aren't present.

What advice would you give a young man who is going to college and who wants to be an executive?

I would suggest that he get a good general education, a broad education in the major areas of business, and then develop some specialty to help him get his foot on the first rung on the ladder.

There are many avenues toward

managerial jobs. Sometimes people move up through production, sometimes through marketing, sometimes through finance, sometimes through accounting. There is no specific avenue to such leadership positions.

How about in-plant training?

This is important, and many companies have done a lot. One of the recent criticisms of business schools has been that we ought to throw more specific instruction on the business firms. This is possible in the case of the larger firms, but many medium and smaller-sized firms simply can't provide training and educational programs.

We should be clear on the distinction between training and education. Some company programs have broad educational objectives as well as specific training objectives. But I am inclined to think that, to serve the business community at large, we can't throw great blocks, especially of the more general educational programs, or general business administration programs, on the shoulders of business firms.

How should a company go about setting up the right kind of program for its people?

The company can review the programs of other companies and use that experience. Purposes should be defined as carefully as possible. Frequently, members of business school faculties can help set up programs of this kind.

Do these in-plant programs of executive development supplement, duplicate or conflict with university programs?

Some of them are designed to serve similar purposes. The principal advantage of the university program, as I see it, is that it draws executives from many lines and promotes an interchange of experience that is not available when all of the members of a program are from the same company or plant.

Further than that, the university campus atmosphere does something for the executive that isn't available in the company program. Then, too, business school faculty personnel are professionals and better teachers than most company personnel can be.

But this is not to suggest that the company-sponsored programs don't serve a useful purpose. Many of them have been highly successful.

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BUSINESS SKILLS

continued

ally become chief executives of companies?

A great many of them have been promoted. However, this was probably one of the bases for their selection to go to the program in the first place. They were earmarked for promotion and the training has helped them.

What do you foresee over the next 10 or 15 years in terms of the over-all business environment?

We will have a dynamic, expanding economy, undoubtedly interrupted by adjustments. Competition will increase tremendously, partly because of the research and development programs, and partly because we will be moving into new areas. The international field is an example. While we are likely to have an expanding economy, we will continue to encounter some real problems. One of these will be unemployment.

It is going to be increasingly difficult to employ as high a percentage of the work force as we now employ, partly because of increased automation and partly because the standards of employability are rising; more people will be unemployable than before.

The main hope for expanded employment is in the service lines, and we probably will develop new types of service activities. For example, the problem of moving from one city to another is complex. If a service were available that handled all the details of this, from disposing of the house to providing another place to live, to establishing credit ratings in the new location, to arranging for the necessary moving and all that goes with it—these are, I think, types of activities that well may expand.

Small business will increase because it is particularly adapted to the service demands. I think there is considerable opportunity for the ingenious person who can invent some new line of service.

Do you foresee a need for business to retrain workers who may be displaced by automation?

We ought to have such programs ready to go whenever we encounter some downturn in business. Instead of simply using the unemployment benefits or make-work projects, we should offer training that helps to increase the employability of the people involved. **END**

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BELL TELEPHONE SYSTEM



SOUND HELP FOR THE NEEDY

RUDE BACKGROUND NOISES have interfered with reception of President Eisenhower's announcement that the budget for the coming year will show a surplus.

The discordant notes have come from the direction of the Department of Health, Education and Welfare. While the President has been promising a balanced budget, the Department has been discussing such programs as:

A positive medical care plan for social security beneficiaries.

Major revisions to broaden social security and increase benefit payments.

A federal program to curb juvenile delinquency.

Some means to "get the government started down the road to becoming an active partner in helping the states eliminate the classroom shortage."

In supporting such policies, the Department has emotion on its side. Nobody would willingly deny the aged, the disabled or the school child any of the good things the American way of life can offer.

But it is reasonable to doubt that federal money is the practical way to provide these things.

Tinkering with social security, for instance, has been an election-year pastime since 1950. As first passed, the law was intended to provide a floor of protection to prevent want. Forty-one dollars a month was accepted as the maximum necessary for this purpose. But, by 1950 maximum benefits had been increased to \$68.50 a month. Every two years since then we have increased the benefits, made them easier to get, or made more people eligible to receive them.

In every case, with social security as with other welfare programs, we have attempted to deal with need rather than with the causes of need. We have increased benefits because prices

were rising and the needy—as well as the rest of us—were having more trouble making ends meet.

If the time spent developing such welfare measures had been spent in finding ways to prevent wage inflation through nationwide strikes, to halt deficit spending, to revise confiscatory tax laws, to deal with the farm problem, and to promote sound fiscal policies generally, the needy and the country would be better off.

Until Congress dares to deal with these, it can be assured that whatever it does this year for the aged, the disabled, the impoverished will soon have to be done again in a bigger way and for more people. One social worker, speaking of medical care for the aged, has already predicted: "I cannot believe that many people will not be asking why a policy that is good for those whose productive life is ended is not good also for children who are the producers of the future."

Public welfare is now on a treadmill—increasing government spending helps bring greater need which brings higher costs which mean more government spending.

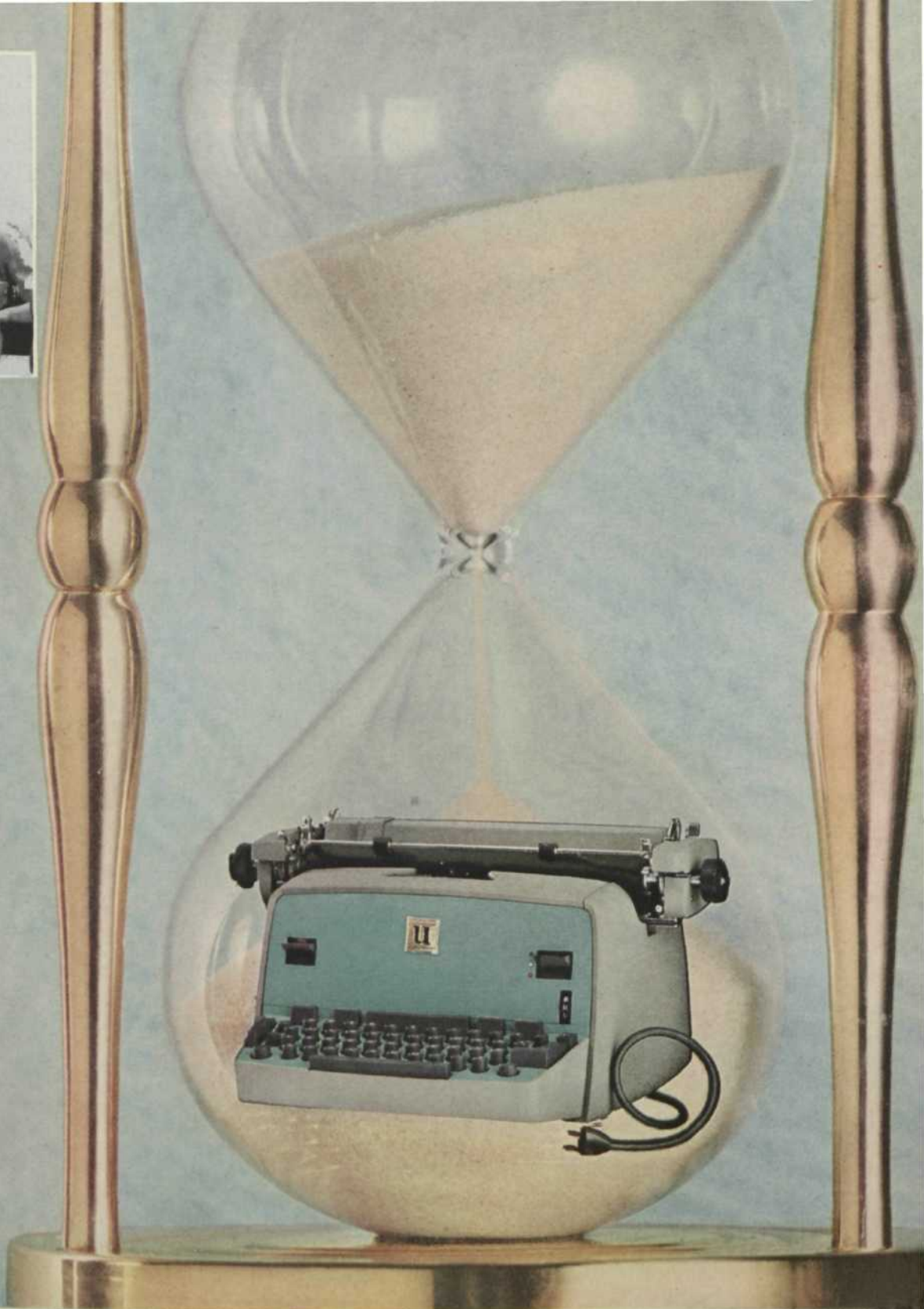
Since 1954, our annual expenditure for defense has dropped 2.5 per cent. Cost of our labor and welfare programs has grown 77 per cent. Interest on the national debt has gone up 40 per cent and income tax collections have gone up 25 per cent.

Fairness, common sense and the soundness of welfare measures already operating require that Congress and the Administration give more attention to the cure of need rather than to its temporary medication. This will not only benefit those who need help, it will benefit the taxpayers from whom the help must come.

It may also reassure the world that our national bird is still the American Eagle—not the mother hen.



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